DOCUMENT RESUME

ED 079 254 SP 006 652

TITLE	Mobile Teachers' Retirement Assistance Act: Hearing Before the General Subcommittee on Labor of the Committee on Education and Labor, House of Representatives, Ninety-second Congress, Second Session on H.R. 10216.
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	Aug 72
NOTE	66p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	Educational Legislation; *Faculty Mobility; *Teacher Employment; *Teacher Retirement; Teacher Salaries; Teacher Welfare; *Teaching Benefits

ABSTRACT

This document is the text of hearings by the U. S. House of Representatives on the Mobile Teachers' Retirement Act. The purpose of the act is stated as follows; Since the transfer of qualified teaching personnel from a school in one state to one in another is impeded by the teacher's fear of forfeiting retirement benefits, the act will facilitate the said transfer by providing federal assistance in the transfer of credits from one state to another. Included in this record is a summary of the act's provisions and the text of statements and testimony from among others, Elizabeth Berry of the Coalition for the Advancement of the Role of Women, Carl J. Mengel of the American Federation of Teachers, the National Retired Teachers Association, and the American Association of Retired Persons. (JA)

FILMED FROM BEST AVAILABLE COPY

ED 074254

MOBILE TEACHERS' RETIREMENT ASSISTANCE ACT

MAR 2 3 1973

HEARING

BEFORE THE

GENERAL SUBCOMMITTEE ON LABOR

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

ON

H.R. 10216

A BILL TO IMPROVE EDUCATION BY INCREASING THE FREEDOM OF THE NATION'S TEACHERS TO CHANGE EMPLOYMENT ACROSS STATE LINES WITHOUT SUBSTANTIAL LOSS OF RETIREMENT BENEFITS THROUGH ESTABLISHMENT OF A FEDERAL-STATE PROGRAM

HEARING HELD IN WASHINGTON, D.C., AUGUST 9, 1972

Printed for the use of the Committee on Education and Labor

CARL D. PERKINS, *Chairman*

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

U.S. GOVERNMENT PRINTING OFFICE

84-307 WASHINGTON : 1972

COMMITTEE ON EDUCATION AND LABOR

CARL D. PERKINS, Kentucky, *Chairman*

EDITH GREEN, Oregon
FRANK THOMPSON, JR., New Jersey
JOHN H. DENT, Pennsylvania
ROMAN C. PUCINSKI, Illinois
DOMINICK V. DANIELS, New Jersey
JOHN BRADEMAS, Indiana
JAMES G. O'HARA, Michigan
AUGUSTUS F. HAWKINS, California
WILLIAM D. FORD, Michigan
PATSY T. MINK, Hawaii
JAMES H. SCHEUER, New York
LLOYD MEEDS, Washington
PHILLIP BURTON, California
JOSEPH M. GAYDOS, Pennsylvania
WILLIAM "BILL" CLAY, Missouri
SHIRLEY CHISHOLM, New York
MARIO BIAGGI, New York
ELLA T. GRASSO, Connecticut
LOUISE DAY HICKS, Massachusetts
ROMANO L. MAZZOLI, Kentucky
HERMAN BADILLO, New York

ALBERT H. QUIE, Minnesota
JOHN M. ASHBROOK, Ohio
ALPHONZO BELL, California
JOHN N. ERLENBORN, Illinois
JOHN DELLENBACK, Oregon
MARVIN L. ESCH, Michigan
EDWIN D. ESHLEMAN, Pennsylvania
WILLIAM A. STEIGER, Wisconsin
EARL F. LANDGREBE, Indiana
ORVAL HANSEN, Idaho
EARL B. RUTH, North Carolina
EDWIN B. FORSYTHE, New Jersey
VICTOR V. VEYSEY, California
JACK F. KEMP, New York
PETER A. PEYSER, New York
CLIFFARD D. CARLSON, Illinois

GENERAL SUBCOMMITTEE ON LABOR

JOHN H. DENT, Pennsylvania, *Chairman*

AUGUSTUS F. HAWKINS, California
PATSY T. MINK, Hawaii
PHILLIP BURTON, California
WILLIAM "BILL" CLAY, Missouri
JOSEPH M. GAYDOS, Pennsylvania
WILLIAM D. FORD, Michigan
MARIO BIAGGI, New York
ROMANO L. MAZZOLI, Kentucky
ROMAN C. PUCINSKI, Illinois
JOHN BRADEMAS, Indiana

JOHN N. ERLENBORN, Illinois
ALPHONZO BELL, California
MARVIN L. ESCH, Michigan
EARL F. LANDGREBE, Indiana
ORVAL HANSEN, Idaho
JACK F. KEMP, New York
CLIFFARD D. CARLSON, Illinois

CONTENTS

	Page
Text of H.R. 10216	1
Summary of the major provisions of H.R. 10216	3
Statement of—	
Berry, Dr. Elizabeth, Coalition for the Advancement of the Role of Women	46
Megel, Carl J., director of legislative affairs, American Federation of Teachers	40
Tennant, W. Jack, National Education Association, Jack Kennedy and Kenneth Ross	6
Prepared statements:	
Berry, Dr. Elizabeth, chairman, Coalition for the Advancement of the Role of Women in the Solution of Educational Problems, testimony of	47
National Retired Teachers Association and the American Association of Retired Persons, statement of the	62
Ross, Kenneth H., actuary, and chairman, of the board, Huggins & Co., Inc., Philadelphia, Pa., presentation of	24
Tennant, W. Jack, associate director, National Education Association Research Division, statement on behalf of the National Education Association	7

MOBILE TEACHERS' RETIREMENT ASSISTANCE ACT

WEDNESDAY, AUGUST 9, 1972

HOUSE OF REPRESENTATIVES,
GENERAL SUBCOMMITTEE ON LABOR
OF THE EDUCATION AND LABOR COMMITTEE,
Washington, D.C.

The General Subcommittee on Labor met, pursuant to notice, at 10:10 a.m., in room 2261, Rayburn House Office Building, Washington, D.C., Hon. John H. Dent, subcommittee chairman, presiding.

Present: Representatives Dent, Hawkins, Brademas, Erlenborn, Bell and Carlson.

Staff members present: Robert Vagley, subcommittee director; Vance Anderson, subcommittee counsel; Julie Domenick, subcommittee research; Jack Miller, minority associate counsel for labor; and Dennis Taylor, minority associate counsel.

Mr. DENT. The General Subcommittee on Labor will now come to order for the purpose of holding hearings on H.R. 10216, the proposal known as the Mobile Teachers' Retirement Assistance Act.

(The text of the bill and a summary of its provisions follow:)

[H.R. 10216, 92d Congress, 1st Sess.]

A BILL To improve education by increasing the freedom of the Nation's teachers to change employment across State lines without substantial loss of retirement benefits through establishment of a Federal-State program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mobile Teachers' Retirement Assistance Act."

FINDINGS AND STATEMENT OF PURPOSE

SEC. 2. The Congress finds that the transfer of qualified teaching personnel between schools operated by local educational agencies in one State and schools operated by local educational agencies in another State is seriously impeded because of the possibility of forfeiture of retirement benefits in the system from which a teacher transfers and that the resulting immobility of teachers impedes the mobility of the Nation's work force by hindering the growth and development of new communities. It is therefore the purpose of this Act to protect commerce by facilitating the interchange of teaching personnel from a local educational agency in one State to a local educational agency in another State by providing Federal financial assistance in the transfer of credits from one State to another State.

DEFINITIONS

SEC. 3. For purposes of this Act—

(1) The term "State retirement system" means a State retirement system established under State law, or a local public retirement system recognized or established by State law, in which teachers participate.

(2) The term "teacher" means an individual who is employed in a professional educational capacity by a board of education.

(3) The term "covered teacher" means a teacher who is a member of a State retirement system.

(4) The term "vesting" means a right of a teacher who separates from covered employment after having at least the minimum years of credited service required under the State retirement system, and has left his contributions in the retirement fund of such system, to a retirement benefit upon reaching an age specified in the law governing the terms and conditions of the system, which benefit is based at least in part on public contributions.

(5) The term "board of education" means any board, committee, commission, or agency authorized by State law to direct a public educational system or institution, or a school or institution of higher education which is tax-supported.

(6) The term "out-of-State service" means public teaching service performed in another State or in elementary and secondary schools operated by the United States Department of Interior and the United States Department of Defense and recognized by the system in which the teacher is a member for the purpose of service credit under the terms and conditions of the law governing the operation of such system.

(7) The term "State" includes the District of Columbia and Puerto Rico, and any other territory of the United States which has a public retirement system which includes teachers.

(8) The term "Commissioner" means the United States Commissioner of Education.

SEC. 4. (a) In order to participate in the program provided for in this Act, a State retirement system must--

(1) provide for payment of retirement benefits on account of out-of-State service by a covered teacher as required in section 5(d) and supplemental benefits as required in section 6(e),

(2) allow covered teachers at least 10 years of credit for public teaching service not covered by the system which is not vested under another State retirement system, upon payment by the covered teacher of a portion of the cost involved and payment from public funds of the remainder,

(3) provide that the teacher's contributions for out-of-State service credit shall be at a rate which does not exceed the rate of the teacher's contribution for in-State service, plus interest. Retirement systems that do not require teacher contributions for in-State service credit may establish a reasonable teacher contribution rate plus interest, for out-of-State service credit,

(4) require no more than one year of in-State service for each year of out-of-State service credit granted,

(5) allow a reasonable period after the State retirement system becomes eligible to participate in the program provided for in this Act within which a covered teacher may make the payment referred to in paragraph (2), in order to become entitled to such credit,

(6) provides for vesting after not more than five years of credited service in the State retirement system, and

(7) provides for making such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under this Act, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such report.

(b) If the Commisioner determines a State retirement system meets the requirements of subsection (a), he shall approve it for participation in the benefits of this Act.

OUT-OF-STATE CREDIT PROVISIONS

SEC. 5. (a) The Commissioner shall, as soon as practical after the end of each calendar year, make a Federal contribution to each State retirement system which he has approved under section 4(b) on account of each covered teacher who is a member of the system who retired during the fiscal year (or other twelve-month period designated by the system) which ended in such calendar year with credited out-of-State service as a teacher. The Federal contribution on account of each year of each such teacher's credited out-of-State service as a teacher shall be an amount equal to 40 per centum of the product obtained by multiplying the level of teachers' salaries (determined under subsection (b)) by the benefit cost factor (determined under subsection (c)).

(b) The level of teachers' salaries shall be deemed to be the salary which is the seventy-fifth percentile of a distribution of the salaries paid to teachers who are classroom teachers in public elementary and secondary schools in all the States, as determined by the Commissioner on the basis of the most reliable data available to him for the preceding school year.

(c) The benefit-cost factor, shall be an amount equal to 2 per centum of the present value of payments to one person annually for life, determined on the basis of the life expectancy of teachers in the States at age sixty-five and an assumed rate of interest (determined by the Commissioner).

(d) The Federal contribution under this section to a State retirement system shall be used for the same purposes, and subject to the same terms and conditions, as are funds of the system derived from other sources. Retirement benefits under such system attributable to service credited under this section shall not be paid on a basis less favorable to the retired teacher than the payments made under such system which are attributable to service other than that so credited.

DEFERRED BENEFIT PROVISIONS

SEC. 6. (a) The Commissioner shall, as soon as practicable after the end of each calendar year, make a Federal contribution to each State retirement system which he has approved under section 4(b) on account of each covered teacher in the membership of the system who, during the fiscal year (or other twelve-month period designated by the system) which ended during such calendar year, retired from the system and became entitled to payment of a vested deferred benefit. The Federal contribution on account of each year for which each such teacher is receiving a vested deferred benefit shall be an amount equal to the product obtained by multiplying the difference between the average teachers' salaries in the preceding school year and the average teachers' salaries in the tenth preceding school year (determined under subsection (b)) by the benefit-cost factor (determined under subsection (c) of section 5).

(b) The average teachers' salaries, for purposes of subsection (a), shall be the average salary for the year in question of teachers in all the States, determined by the Commissioner on the basis of the most reliable data available to him for such year.

(c) Each participating State retirement system shall supplement the retirement benefits which such system pays a covered teacher who is receiving a deferred vested benefit and who meets the requirements of subsection (d) by an annual amount equal to the product obtained by multiplying the following factors:

(1) The annual retirement benefit to which the covered teacher is entitled before the supplement required by this section.

(2) The number of years between the covered teacher's separation from teaching service which is credited under the State retirement system in question and his retirement, but in no event shall such number of years be more than ten.

(3) The average annual percentage increase in the average teachers' salaries (determined as provided in (b)) for the State or all the States, whichever the State retirement system deems appropriate during the ten-year period referred to in subsection (a).

(d) To be entitled to the supplemental benefit, the covered teacher must have performed public teaching service for a total of twenty years or for a total of five years during the ten-year period immediately preceding the date payment of the deferred vested benefit began.

EFFECTIVE DATE

SEC. 7. This Act shall become effective July 1, 1972, with respect to teachers who retire after such date.

APPROPRIATIONS AUTHORIZED

SEC. 8. For the purpose of making such Federal payments, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1972, and for each succeeding fiscal year the amount necessary to effectuate the provisions of this Act.

SUMMARY OF THE MAJOR PROVISIONS OF THE PROPOSED MOBILE TEACHERS' RETIREMENT ASSISTANCE ACT

Section 1.—Title

Section 2.—Purpose

It is the purpose of H.R. 10216 to encourage State and local retirement systems to adopt provisions facilitating the interstate mobility of teachers. To accomplish this purpose, the bill provides for Federal financial assistance in the transferring of teacher retirement credits among State and local teacher retirement systems. It is thought that this will minimize the extent to which such movement causes teachers to lose some of their retirement income protection.

Section 3.—Definitions

Section 4.—Eligibility to participate

(a) A State or local retirement system must meet the following requirements:

(1) Federal funds must be used for the same purposes and subject to same terms and conditions as funds from other sources. Each participating State retirement system shall supplement the retirement benefits of a covered teacher receiving a deferred vested benefit as described in subsection 6(c).

(2) Accept at least 10 years of service rendered in some other State (and not counted toward benefits payable under another State retirement system) upon payment by the covered teacher of a portion of the cost involved and payment from public funds of the remainder.

(3) A teacher's contribution rate for out-of-State service credit shall not exceed the rate of a teacher's contribution for in-State service, plus interest. A retirement system that does not require teacher contributions for in-State service credit may establish a reasonable contribution rate plus interest for out-of-State service credit.

(4) Require no more than 1 year of in-State service for each year of out-of-State service credit granted.

(5) Provide a reasonable period of time for the transfer of teacher retirement credits.

(6) Provide for vesting after not more than 5 years of credited service in the State retirement system.

(7) Provide for the making and keeping of such reports and information as the Commissioner of Education may reasonably require.

(b) Upon meeting the requirements of subsection (a), as determined by the Commissioner, a State retirement system may be approved, by the Commissioner, for participation in the benefits of the act.

Section 5.—Out-of-State credit provisions

(a) The Commissioner will make an annual Federal contribution to each qualified State retirement system on account of each covered member teacher with credited out-of-State service who has retired during any 12-month period as designated by the system. For each year of credited out-of-State service, the Federal payment will be an amount equal to 40 percent of the national level of classroom teachers' salaries multiplied by a benefit-cost factor.

(b) The national level of teachers' salaries will be that which is the 75th percentile of a distribution of the salaries paid to teachers, as determined by the Commissioner on the basis of the most reliable data available to him.

(c) The benefit-cost factor will be equal to 2 percent times a reserve necessary to make the annual payment for life based on the life expectancy of teachers at age 65, plus an assumed rate of interest.

Example: The national classroom teachers' salary at the 75th percentile for 1969–70 is $9,000 (approximately).

The current estimated reserve factor is 12.

The Federal payment for each year of credited out-of-State service is:

(40 percent × $9,000) × (2 percent × 12) equals $864.

($3,600) × (.24) equals $864.

(the one time amount paid by the Federal Government to buy the teachers' annuity)

(d) Federal contributions to a State retirement system must be used for the same purposes and be subject to the same terms and conditions as funds derived from other sources and may not be paid on a basis less favorable to the retired teacher.

Section 6.—Deferred benefit provisions

(a) The Commissioner will make an annual Federal contribution to each qualified retirement system on account of each covered member teacher who, during any 12-month period designated by the system, retired from the system and became entitled to payment of a vested deferred benefit. The contribution shall be an amount equal to the product obtained by multiplying the difference between the national average of teachers' salaries in the preceding school year and the average teachers' salaries in the 10th preceding school year (as determined by the same benefit-cost factor used for the out-of-State payment).

Example:	*Approximate*
National average teacher salary, 1969–70	$8,480
National average teacher salary, 1960–61	5,300
Difference	3,180

The current estimated reserve factor is 12.

The Federal payment for each year of service credited for the vested deferred benefit is: $1,180×2 percent×12 equals $763.20.

Example: A teacher retires from system A in 1970 with credit for 30 years of service, 9 years of which are out-of-State service. His final average salary is $9,000 (approx.). The retirement benefit fromula in system A is 1.5 percent of final average salary.

Calculation of Benefit: 1.5 percent of $9,000×30 years equals $4,050.

(b) The average teacher's salary will be the average salary for the year in question of teachers in all States, as determined by the Commissioner on the basis of the most reliable data.

(c) Each participating State retirement system shall supplement the retirement benefits of a covered teacher receiving a deferred vested benefit and who meets requirements of subsection (d) by an annual amount equal to the product of the following factors:

(1) The annual retirement benefit to which the covered teacher is entitled before the supplement required by this section.

(2) The number of years between the covered teacher's separation from teaching service credited under the State retirement system in question and his retirement, but in no case more than 10 years.

(3) The average annual percentage increase in the average teachers' salaries for the State, or all States, as determined appropriate by the State retirement system.

(4) To be entitled to the supplemental benefit the covered teacher must have performed public teaching service for a total of 20 years or for a total of 5 years during the 10-year period immediately preceding the date payment of deferred vested benefit began.

Example 1: A teacher with vested rights separated from service covered in retirement system A in 1960 with 9 years credited service, leaving his contributions in the system. His final average salary at the time of separation was $5,200. The teacher retires in 1970, 10 years after his separation from system A.

The percent increase in the national average of teachers' salaries in a 10-year period ending the year preceding retirement is 60 percent, using the following approximate figures:

National average teacher salary in 1969–70	[1] $8,480
National average teacher salary in 1960–61	[1] $5,300
Difference	[1] $3,180
Percent increase	60

[1] Approximate.

The retirement benefit formula in system A is 1.5 percent of final average salary.

Calculations:	
Part I. Benefit from State 1.5 percent of $5,200×9 years	$702.00
Part II. Supplemental benefit payable from Federal funds: 60 percent (increase in national average salary of teachers in the 10-year period) of $702.00	421.20
Total, amount of deferred benefit (part I plus part II)	1,123.20

Example 2: A teacher with vested rights separated from service covered in System B in 1967 with 15 years of credited service, leaving his contributions in the system. His final average salary at the time of separation was $6,500. The teacher retires in 1970, 3 years after separation from system B.

The percent increase in national average salary of teachers in a 10-year period ending 1970 is 60 percent or an average annual increase of 6 percent. The retirement benefit formula in system B is 2 percent of final average salary.

Calculations:	
Part I. Benefit from State 2 percent of $6,500 × 15 years	$1,950
Part II. Supplemental benefit payable from Federal funds 18 percent (increase in national average salary of teachers, 6 percent times 3 years) of $1,950	351
Total amount of deferred benefit (part I plus part II)	2,301

Section 7.—Effective date

July 1, 1972, with respect to teachers who retire after such date.

Section 8.—Appropriations authorized

The amount necessary to effectuate the provisions of this act.

Mr. DENT. In June of 1970, my colleague, John Brademas from Indiana, held hearings on this measure before the Select Subcommittee on Education. The jurisdiction was subsequently transferred to the General Subcommittee on Labor since it assumes responsibility for both public and private retirement and pension and welfare plans in the United States.

In continuing these hearings, we hope we can arrive at an appropriate solution to what we think is a serious problem in the teaching profession. This subcommittee has held many hearings and had many conferences on the matter of private and public retirement systems in the United States and currently has several measures before it that contemplate retirement security. It is likely that we will be able to tie this measure into that particular legislation. I think it will have a better chance of going through the Congress tied to something that is larger in scope and encompasses greater numbers of people.

The committee is privileged to have with us Mr. Jack Tennant, of the National Education Association, who will present a panel. Other distinguished members of the NEA panel include Mr. Jack Kennedy, secretary of the Colorado Public Employees Retirement Association, and Mr. Kenneth Ross, actuary and chairman of the board, Huggins & Co., Inc.

STATEMENT OF W. JACK TENNANT, NATIONAL EDUCATION ASSOCIATION; JACK KENNEDY, EXECUTIVE SECRETARY, COLORADO PUBLIC EMPLOYEES RETIREMENT ASSOCIATION; AND KENNETH ROSS, ACTUARY AND CHAIRMAN OF THE BOARD, HUGGINS & CO., INC.

Mr. TENNANT. Mr. Chairman, members of the committee, I am W. Jack Tennant, associate director of the National Education Association Research Division. I appreciate the opportunity to be with you this morning.

We are going to give a three-phase presentation. I will make the opening remarks. Mr. Jack Kennedy, director of the Colorado Teachers' Retirement Association, will talk about the programs of the bill, and Mr. Ken Ross, who is chairman of the board and president of Huggins & Co., an actuary firm in Philadelphia, will give our cost projections following Mr. Kennedy's presentation.

And I would like, Mr. Chairman, to have the written documents included in the record.

Mr. DENT. Without objection, your entire testimony and all the attendant material will be made part of the record at this point. You may summarize your opening statement, if you wish.

(The document referred to follows:)

STATEMENT ON BEHALF OF THE NATIONAL EDUCATION ASSOCIATION ON H.R. 10216 BEFORE THE GENERAL SUBCOMMITTEE ON LABOR OF THE HOUSE COMMITTEE ON EDUCATION AND LABOR PRESENTED BY W. JACK TENNANT, ASSOCIATE DIRECTOR, NEA RESEARCH DIVISION; FRANK CASHMAN, SECRETARY, PENNSYLVANIA PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM; AND JACK KENNEDY, EXECUTIVE SECRETARY, COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION

Mr. Chairman and members of the Committee: I am W. Jack Tennant, Associate Director of the National Education Association Research Division. I am here today speaking for 1.3 million educator members of NEA. The NEA has long been concerned about the inequity of retirement benefits available to teachers who move from one state to another in the course of their teaching careers. Under present teacher retirement provisions, these mobile teachers must often sacrifice the security of adequate income for their retirement years and face retirement with less resources than those of their colleagues who have not moved. The National Education Association and the National Council on Teacher Retirement have been working for federal and state legislation that would enable teachers who have taught in two or more States to retire at the end of their careers with benefits substantially the same as they would have received if they had taught in a single state for their entire career. H.R. 10216, the Mobile Teachers' Retirement Assistance Act, will establish a joint federal-state program which will help provide these benefits to mobile teachers.

The interest and responsibility of the members of this Committee and the federal government in solving national education problems is recognized in the many federal programs now in operation. The loss of retirement credit by teachers who move interstate also creates serious problems for American education and for our national welfare. On the one hand, it restricts the natural mobility of the teaching profession whereby teachers of varied background and expertise may vitalize the educational experience of children and young people by being encouraged to move into new communities and accept the challenges presented by the areas of greatest educational need. On the other hand, it raises before our society the prospect of having to find resources at some future date to provide for the retirement years of these teachers who have been prevented from making such provision for themselves during their active working years.

With the increased longevity enjoyed by Americans today, it is more than ever imperative that persons in all walks of life should have the opportunity during their years of active employment, not only to provide for their needs of the present, but also to accumulate the resources to provide for their future, post-working years. At present, mobile teachers are denied this opportunity. The retirement credits the teacher has earned by his service in one state will, in most cases, be lost when he moves to another state. This comes about for two reasons: one, the state the teacher leaves may not allow for early vesting and two, the state the teacher enters may not grant retirement credit for years of teaching service performed outside its boundaries.

We are certainly aware of the fact that members of this Committee have led the fight for increased aid to education and will continue this effort. I thank you on behalf of the entire profession for this effort. We ask now, as you consider the pension problems facing the nation, that you take a basic step in helping to solve the teacher mobility problem by approving H.R. 10216. This bill, we believe, represents the rightful role of the federal government in helping to solve an educational and social problem, basically interstate in nature. Moreover, it does so in a way which recognizes state prerogatives in education and the importance of state retirement systems as the primary vehicle for providing retirement benefits for teachers. The modest cost to the federal government in accomplishing the important objectives of the bill will, in fact, promote the national interest by helping to solve some of the critical problems facing our society. The mobility bill will give the school children of the nation an opportunity to receive the benefits of a mobile teaching profession and, at the same time, preserve retirement benefits of the mobile teacher.

Because of the complexity of this issue, we have asked Mr. Frank Cashman, Secretary of the Pennsylvania Public School Employes' Retirement System, Mr. Jack Kennedy, Executive Secretary of the Colorado Public Employees' Retirement Association, and Mr. Michael Mudry, Vice-President of Huggins and Company, Inc., Consulting Actuaries, Philadelphia, Pennsylvania, to present the NEA views. Mr. Kennedy is also representing the views of the National Council on Teacher Retirement.

BACKGROUND AND NEED FOR H.R. 10216

The loss of retirement credit by mobile teachers is a serious problem that needs immediate attention for several reasons. In the first place, these teachers are being denied a basic right—the right to provide for their own future after retirement by accumulating resources during their working years. This is particularly unjust because it takes the form of depriving them of retirement rights which they have already earned by their service.

In addition, the consequences of depriving mobile teachers of their retirement rights are not limited solely to the group of teachers directly affected but threaten to rebound on society at large. Recent years have seen both the increasing mobility and the increasing longevity of the American population. From this, it is reasonable to expect that in future years teachers will continue to be mobile and they will be living for a longer period of time after their retirement from active employment. Unless steps are taken promptly to insure that these teachers may make provision for their retirement, there is a distinct possibility that at some future date the nation will be faced with a massive problem as it is forced to find the resources to provide for the retirement years of these teachers who through no fault of their own lack adequate means of self-support.

Finally, the loss of retirement credits exerts a stranglehold on the natural mobility of the teaching profession to the detriment of education. A measure of mobility, desirable in any profession, is perhaps even more valuable in education. The general advantage of a mobile labor force needs hardly to be mentioned: it makes possible the employment of the best qualified individual in the position best suited to his talents and expertise. With the recent elimination of widespread teacher shortages, new opportunities have arisen for improving the quality of education. The removal of restrictions on teacher mobility represents an important step in achieving this goal. As long as education was plagued with a serious manpower shortage, teacher mobility represented little more, in manpower terms, than robbing Peter to pay Paul. Now that there appears to be a sufficient total supply of teachers to fill the existing total number of positions, the important issue has become the placement of the appropriate teacher in the appropriate position. The critical educational problems of deprived urban and rural areas are only the most dramatic illustrations of the general need to attract teachers with special talents and expertise to the situations where their personal qualifications can be of greatest benefit. Above and beyond this, mobility of the labor force has a special contribution to make to education through the intangible personal influence exerted by teachers on the attitudes and values of their pupils. The influx into many communities throughout the country of teachers of varied background and experience offers the possibility of broadening the horizons of school children, acquainting them on a personal basis with individuals from outside their own communities, and helping to break down the barriers of insularity and parochialism that are the root of narrow self-interest and prejudice. We are all conscious today of the crucial need for children to develop a humane tolerance and appreciation of persons different from themselves. How far teacher mobility may assist in achieving this desired end cannot, of course, be predicted with precision, but the importance of the contribution that can be made by the broadening influence of teachers in childhood and youth should not be underestimated.

Both justice and common sense require that positive action be taken to provide adequate retirement benefits to mobile teachers. The inequity of retirement benefits suffered by mobile teachers has endured far too long. For 25 years, the National Education Association and the National Council on Teacher Retirement have worked to secure changes in state retirement provisions that would rectify this situation. Economic factors and the primary responsibility of states for meeting educational needs within their own borders have caused these efforts to meet with little success. The federal government recognized the need for preserving retirement benefits and the advantages of mobility when the Intergovernmental Personnel Act was passed. Other Congressional activity dedicated to protecting the benefits of employees in the private sector further indicates the increasing

interest in preserving retirement benefits for all Americans. We now turn to the federal government for assistance in meeting an educational and social problem that is basically interstate in nature. The modest cost to the federal government this assistance would entail is negligible in comparison with the probable future costs that would be created by permitting an increasing number of mobile teachers to come to an increasingly lengthy period of retirement with inadequate means of support. And, the consequent encouragement of mobility in the teaching profession can only result in benefit to education throughout the nation.

During the past 25 years, various possible solutions to the problem of providing adequate retirement benefits have been proposed. In May 1968, the National Education Association and the National Council on Teacher Retirement jointly appointed a Task Force to study this long existing problem and recommend ways to provide adequate retirement benefits for mobile teachers. The Task Force has carefully considered all possible solutions. Basically, there are two ways in which the problem may be approached: the state approach and the national approach. Ways in which the existing state retirement systems may provide retirement benefits for mobile teachers are: (a) early vesting, (b) out-of-state credit, and (c) interstate reciprocity.

Vesting is a method of preserving in the out-going system the retirement rights of teachers who migrate. It provides a deferred allowance at a set age to a teacher who has met the minimum requirements of years of service or a combination of years of service and age and who leaves the system without withdrawing his contributions. Vesting is a practical way of meeting the interstate mobility problem if the number of years of service required is sufficiently low to make deferred benefits available to most teachers and if some upward adjustment is made with respect to the lower deferred benefits.

Although most state teacher retirement systems now have provisions for vesting and the payment of deferred benefits, the service requirements in many states remain lengthy. Efforts have been made repeatedly during recent years to secure state adoption of provisions for vesting after the completion of not more than five years of service. These efforts have met with only limited success. This is largely due to the preference on the part of states to use retirement funds to improve benefits for teachers who remain in the state rather than for those who leave the state. The problem is further compounded for the teacher by the fact that these benefits are paid on a salary base at the time of separation, which significantly reduces the deferred benefit.

An alternative method by which states may provide retirement benefits for mobile teachers is provision for the purchase of credit for out-of-state service. This arrangement allows in-coming teachers to purchase credit toward their retirement on the basis of previous teaching service rendered in another state. It is a practical approach to the interstate mobility problem if the credit is available under conditions which are not too costly or restrictive to the teacher. Provisions for out-of-state credit exist in some states but vary widely from state to state in regard to the number of years of out-of-state service for which credit will be granted, how costs are to be borne, and conditions under which credit is obtainable. In many instances, the requirements of these provisions place the purchase of out-of-state credit outside the financial reach of most teachers.

Adopting or revising out-of-state credit provisions to meet more effectively the needs of mobile teachers places a financial obligation on the receiving retirement systems. Where financial resources are limited, devoting large sums of state funds to provide retirement benefits for teaching service rendered outside the state is sometimes depicted as antithetical to the state's own educational program and the interests of teachers who have given their service within the state. For these reasons, satisfactory out-of-state service provisions have not been adopted in most states.

A third possibility for a state-based solution is interstate reciprocity. Such reciprocity arrangements would have to rest on agreements between individual states under authorizing statutes and might take any one of several forms. Experience has shown that interstate reciprocity is not a feasible arrangement because of the legal barriers and actual difficulties involved in the transfer of funds between state systems. In 1947, interstate reciprocity was considered and rejected as unfeasible by the Reciprocity Committee of NCTR. The Committee's 1948 report mentions the legal barriers as the most serious obstacle; the 1951 report of this Committee reiterates the same view. A similar position was taken by the Advisory Commission on Intergovernmental Relations in its March 1963 report, which states that financial and legal problems involved in reciprocal arrangements between state retirement systems and in the administration of

such a program once adopted would render this approach unworkable. The law pertaining to the New York State Teachers' Retirement System contains a provision for the transfer of credit and contributions to another state provided the receiving retirement system is actuarially sound and has a similar reciprocity clause. This provision has been inoperative since no other state has agreed to enter into such an arrangement.

An altogether different approach would be the creation of a single national retirement system for teachers. This idea has some merit, but serious obstacles stand in the way of its implementation. The major objection to a national plan are: (a) such a nationwide system would require extremely large sums of money; (b) the source of this money is not readily identifiable; and (c) a functional program would require mandatory participation by the states and absorption of the existing state retirement systems.

The NEA-NCTR Task Force considered in detail all of these proposals as well as a number of variations of each. From its study, the Task Force concluded that neither a state-based approach nor a national approach by itself represents an effective means of providing adequate retirement benefits for teachers who move from one state to another. Rather, it was the opinion of the Task Force that a workable arrangement would best be achieved through a joint federal-state program, in line with the following objectives: (a) the program would build upon the existing state retirement systems, utilizing the state systems' potentialities through early vesting and out-of-state credit provisions; (b) the federal government would fulfill its constitutional role of taking responsibility for solving interstate problems by making a contribution that would assist the states in meeting the financial obligations; (c) the program would encourage the states to identify their individual interest in education with the total national interest in education.

It was with these objectives in view that the Task Force developed the program contained in H.R. 10216, the Mobile Teachers' Retirement Assistance Act.

PROVISIONS AND APPLICATION OF 10216

The provisions of H.R. 10216 are designed to improve public education by increasing the freedom of the nation's teachers to change employment across state lines without substantial loss or retirement benefits. To accomplish this objective, the bill would establish a federal-state program to assist in the funding of retirement benefits for mobile teachers.

Coverage of teachers

The bill is intended to benefit teachers serving in public education. The term *teacher* means any individual who is employed in a professional educational capacity by a board of education and who is a member of a public state or local retirement system established under state law. Under this definition, coverage extends to teachers engaged in all public education from preschool through higher education.

Financial assistance from the federal government for service credited to teachers under the provisions of H.R. 10216 would go directly to the participating retirement systems. The program would affect teachers who retire after the date that the legislation becomes effective. Each participating retirement system would make the retirement benefit payments to the individual teachers affected by the bill on the basis of its own benefit formula.

Coverage of retirement systems

The proposed legislation covers public statewide retirement systems established under state law, as well as public local retirement systems recognized or established under state law, in which teachers participate.

Participation by covered retirement systems in the program as provided by the bill is voluntary. The legislation sets out certain conditions which the retirement systems must meet in order to qualify for the federal contribution. These qualifying conditions are essential to the realization of the bill's objectives. Beyond this, the bill in no way disturbs the terms and conditions under which the systems operate and provide retirement benefits. The effect of H.R. 10216 would be to preserve and strengthen the state and local retirement systems. Under this bill, all participating retirement systems are treated alike, equity is maintained between mobile and nonmobile teachers, and the administrative procedures for participating in the federal-state program are not burdensome for the retirement systems or for the federal government.

The federal-state program embodied in H.R. 10216 has two parts: (a) provisions for federal assistance to finance the cost of out-of-state credit, and (b) provisions for federal supplementation of vested deferred benefits.

What must a state retirement system do to qualify? Two things:

Allow credit for at least 10 years of out-of-state public teaching service not vested elsewhere to be paid for by the federal government, the state, and the teacher, and also to

Provide for vesting of retirement rights after not more than five years' credited service.

What a qualifying State retirement system would receive now:

Payment from the federal government for each year of out-of-state service credited to a teacher at time of retirement.

Payment from the federal government to supplement the vested deferred benefit of a teacher at the time of initial retirement.

How much a qualifying system would receive

1. Out-of-State service credit. A federal payment would be made to the system on account of each participating teacher having credit for out-of-state service who retires during a 12-month period preceding the close of the calendar year. The formula for this payment is: (a) 40 percent of the national classroom teachers' salary at the 75th percentile times (b) 2 percent (benefit cost factor) times (c) a reserve factor of 12 (based on the current life expectancy at age 65 and interest earned on the terminal federal payment).

Example: 40% of national teacher salary at 75th percentile for 1971–72 (estimated) (40%×$11,200) times benefit cost factor (2%) times reserve factor (12) equals federal payment for *each year* of credited out-of-state service ($1,075).

2. Vested deferred benefit. A federal payment would be made to the system for each teacher having a vested deferred benefit who retires during a 12-month period preceding the close of the calendar year. The formula for this payment is: (a) the difference between the national average in the year immediately preceding retirement and the national average of the teachers' salaries in the 10th year preceding retirement times the 2 percent (benefit cost factor) times the 12 (reserve factor).

Example: Difference between national average the year before retirement (1971–72) and national average teacher salary in 10th year before retirement (1962–63) ($9,690−$5,732=$3,958) times benefit cost factor (2%) times reserve factor (12) equals federal payment for *each year* of service credited for vested deferred benefit ($950).

3. Cost of administration. H.R. 10216, in its present form, does not contain a provision to assist the state retirement system in administering the bill. We propose that an amount equal to 2 percent of the federal contribution be paid to the participating retirement system.

What the teacher would receive

1. Out-of-State service credit. The benefit payable to the teacher who retires with credited out-of-state service not vested elsewhere would be paid by the state (or local) retirement system in accord with the terms of its benefit formula.

Example: A teacher retires from System A in 1972 with credit for 30 years of service, 9 years which are out-of-state service. His final average salary is $11,200 (approximately). The benefit formula in System A is 1.5 percent of final average salary times years of service.

Calculation: 1.5% times $11,200 times 30 years (21 in state plus 9 out-of-state) equals $5,040.

2. Vested deferred benefit. A teacher with vested benefit rights would receive his retirement allowance from the state (or local) system where the benefit is vested in accordance with that state's benefit formula. In addition, he would receive a supplement financed by the federal contribution provided by the bill. The amount of the supplement depends upon the percentage increase in a given period in average teachers' salaries on a national or state basis (at the state's option). The total vested deferred benefit is the sum of a two-part calculation.

Example: A teacher with vested rights separated from service in retirement System A in 1962 with 9 years of credited service leaves his contributions in System A. His final average salary at time of separation was $5,200. The teacher retires in 1972, 10 years after separation from System A.

The percentage increase in the national average teachers' salaries in a 10-year period ending the year preceding retirement is 69 percent:

National average teacher salary in 1971–72 minus national average teacher salary in 1962–63 ($9,690−$5,732=$3,958) divided by national average teacher salary in 1962–63 (x 100%) $5,732 (x 100%) equals percent increase (69%).

The benefit formula in System A is 1.5 percent of final average salary times years of service.

Part 1. Benefit from state: 1.5% times $5,200 times 9 years equals $702.00.

Part 2. Supplemental benefit from federal funds: 69% times $702.00 equals $484.38.

Part 1 plus Part 2 equals amount of deferred benefit, $1,186.38.

The National Education Association employed the services of an outstanding, nationally known actuarial firm to provide federal cost estimates for H.R. 10216. The statement of Mr. Michael Mudry, Vice-President of Huggins and Company, Inc., Consulting Actuaries, Philadelphia, Pennsylvania, is contained in a separate document.

CURRENT STATUS OF VESTING AND OUT-OF-STATE CREDIT PROVISIONS FOR TEACHER RETIREMENT

Membership in Retirement Systems

In the 1971–72 school year, the estimated number of total instructional staff in the public elementary and secondary schools is 2,328,285 and the estimated number of full-time professional employees in public institutions of higher education is 306,000. With minor exceptions, these instructional staff members are covered in either public state-wide or local retirement systems. Membership in the retirement system is compulsory from the date of entry into covered employment. One exception is Vermont, where under a provision effective July 1, 1969, teachers under age 30 may defer participation in the retirement system until they reach age 30, when membership becomes mandatory. Another exception is that some retirement systems do not open membership to incoming teachers beyond a certain age for example, age 60.

Types of Retirement Systems

The state or local retirement system to which a teacher belongs is one of three types: (a) a separate teachers' system covering professional school employees, (b) a separate retirement system covering all school employees, or (c) a retirement system covering teachers and other public employees. Teachers employed in public institutions of higher education are also members of one of these three types of systems, or of a state retirement system that covers state employees. In some states, state college and university faculty members have been given the option of joining the Teachers Insurance Annuity Association (TIAA).

Summary data on the types of retirement systems currently in operation are given in Table 1. The NEA is aware of 23 local retirement systems and has available data on 16 of these systems.

Vesting

All of the 50 state-wide retirement systems in which teachers participate, and the Puerto Rico system, provide vesting rights. Information on vesting provisions for each system, grouped by type of requirement, is presented in Table 8. These data are summarized in Table 2.

Table 2 shows that at present 18 state retirement systems and 4 local retirement systems would at least meet the vesting conditions specified in H.R. 10216. However, when considered along with the conditions of the bill for 10 years of out-of-state service credit, as is shown in Table 3, only two state systems, Illinois and Nebraska, appear to qualify at present to participate in the federal-state program proposed in H.R. 10216. It is also to be noted that the teacher retirement system of the District of Columbia would qualify if its provisions were amended so that the school system paid a part of the cost of the out-of-state service credit. At present the teacher bears the entire cost for the purchase of such credit. As is also apparent in Table 3, no credit is allowed for out-of-state service in 12 of the 18 state retirement systems, and 3 of the 4 local retirement systems which provide for vesting after 5 years or less of service.

A detailed listing of the vesting and out-of-state service provisions for each retirement system may be found in Table 7.

Out-of-State Service Credit

Summary data on the number of retirement systems with and without provisions for out-of-state service credit appear in Table 4. Detailed information for each retirement system is given in Table 9.

Table 4 shows that currently a total of 25 state-wide retirement systems, 11 local retirement systems, and the Puerto Rico retirement system have no provisions for the purchase of out-of-state credit. Included in this grouping are a few state systems that allow teachers to apply out-of-state service in order to meet the required years of service needed to be eligible for retirement.

The 25 state-wide retirement systems without provisions for out-of-state service credit include 9 systems in the West and Rocky Mountain regions, 7

systems in the Southern area of the country, and Hawaii. When viewed by type of retirement system membership, 16 of the 19 state public employees systems are represented in the 25 state systems without out-of-state service credit provisions.

On the positive side, a total of 25 state and 5 local retirement systems now provide for out-of state service credit. Closer analysis, however, shows that only 15 state retirement systems offer teachers an opportunity to obtain credit for out-of-state service under terms that are not prohibitive. As may be seen in Table 9, 8 state retirement systems allow out-of.state service credit if the teacher pays the entire cost. There is a similar requirement in 4 of the 5 local retirement systems that provide for out-of-state service credit.

Further, of the 15 state retirement systems where the cost of the out-of-state credit is shared by the teacher and the employer, at least 3 systems, Connecticut, Georgia, and West Virginia, will accept out-of state service only from those states which recognize their service.

Table 5 presents summary information on the number of years of allowable out-of-state service credit.

As depicted in Table 5, a total of 16 systems, 14 state and 2 local, allow 10 years of credit, while 6 systems, 5 state and 1 local, allow more than 10 years of credit. But because of the required ratios of in-state credit to out-of-state service credit and because of the requirements that the teachers pay the entire cost of the out-of-state service credit, less than half of these 22 systems would meet the conditions for out-of-state service credit in H.R. 10216. This is borne out by Table 6.

As already mentioned under the section on vesting, only the Illinois and Nebraska state retirement systems appear to meet both the vesting and out-of-state conditions in the bill.

TABLE 1.—STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

Type of system	Total	With social security	Without social security
(1)	(2)	(3)	(4)
1. Statewide retirement systems:			
Teachers systems	24	15	[1] 9
School employees systems	7	7	0
Public employees systems	19	14	5
Total	50	36	[1] 14
2. Local retirement systems:			
Teachers systems	10	5	5
School employees systems	4	3	1
Public employees systems	2	2	0
Total	16	10	6

[1] In addition, Puerto Rico has a teachers system without social security.

TABLE 2.—SUMMARY OF VESTING PROVISIONS

Vesting	Statewide retirement systems				Local retirement systems			
	Total	Teachers system	School employees system	Public employees system	Total	Teachers system	School employees system	Public employees system
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Years of service:								
Immediate	1	1			1	1		
4 years	2			2				
5 years	15	6	2	7	3	2	1	
7 years					1	1		
8 years	2	1		1				
10 years	[1] 14	[1] 8	2	4	4	2	1	1
12 years								
15 years	6	4		2	2	1		1
20 years	9	5	2	2	2	1	1	
2. Age and years of service:								
Age 40: 5 years					1		1	
Age 45: 20 years					1	1		
Age 50: 10 years	1		1					
Age 50: 15 years	1	1						
3. No vesting provision					1	1		

[1] Includes Puerto Rico.

TABLE 3.—PROVISIONS FOR VESTING AND OUT-OF-STATE SERVICE CREDIT IN STATE AND LOCAL RETIREMENT SYSTEMS PROVIDING FOR VESTING AFTER 5 YEARS OR LESS OF SERVICE

Type of system and State (1)	Number of years before vesting (2)	Maximum years of out-of-State service credit allowed (3)
1. Statewide retirement systems:		
Teachers systems:		
California	5	None
Illinois	5	10
Kentucky	5	8
Montana	5	5
Ohio	5	None
Washington	5	None
Wisconsin	Immediate	None
School employees systems:		
Nebraska	5	10
New Mexico	5	5
Public employees systems:		
Arizona	5	None
Colorado	5	None
Hawaii	5	None
Idaho	5	None
North Carolina	5	None
Oregon	5	None
Utah	4	None
Virginia	5	None
Wyoming	5	None
2. Local retirement systems:		
Teachers systems:		
California: Los Angeles	5	None
District of Columbia: Washington	5	10
Wisconsin: Milwaukee	Immediate	None
School employees system: Missouri: St. Louis	5	None

TABLE 4.—PROVISION FOR OUT-OF-STATE SERVICE CREDIT IN STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

Type of system (1)	Total (2)	With provision for out-of-State service credit (3)	Without provision for out-of-State service credit (4)
Statewide retirement systems:			
Teachers systems	24	14	[1] 10
School employees systems	7	7	0
Public employees systems	19	4	15
Total	50	25	[1] 25
Local retirement systems:			
Teachers systems	10	4	6
School employees systems	4	1	3
Public employees systems	2	0	2
Total	16	----	11

[1] In addition, the Puerto Rico teachers retirement system does not provide for out-of-State service credit.

TABLE 5.—NUMBER OF RETIREMENT SYSTEMS BY YEARS OF OUT-OF-STATE SERVICE CREDIT ALLOWED

Maximum years of out-of-State service allowed	Statewide retirement systems				Local retirement systems			
	Total	Teachers	School employees	Public employees	Total	Teachers	School employees	Public employees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
None	25	10	----	15	11	6	3	2
5 years	4	1	2	1	2	1	1	----
8 years	2	2	----	----	----	----	----	----
10 years	14	10	2	2	2	2	----	----
12 years	1	----	1	----	----	----	----	----
15 years	1	----	1	----	1	1	----	----
Unlimited	2	1	----	1	----	----	----	----
Other	1	----	1	----	----	----	----	----
Total	50	24	7	19	16	10	4	2

TABLE 6.—PROVISIONS FOR OUT-OF-STATE SERVICE CREDIT AND FOR VESTING IN RETIREMENT SYSTEMS ALLOWING 10 OR MORE YEARS OF OUT-OF-STATE SERVICE CREDIT

Type of system and State	Years of out-of-State service creditable	Years before vesting
(1)	(2)	(3)
State retirement systems:		
1. Statewide teachers systems:		
Alaska	10 years	10 years.
Arkansas	do.[1]	20 years.
Connecticut	10 years (on reciprocal basis)	10 years.
Georgia	do	20 years.
Illinois	10 years	5 years.
Maryland	do.[1]	15 years.
Massachusetts	do	20 years.[2]
Missouri	do	Do.
New Jersey	do.[1]	15 years.
New York	do	10 years.
North Dakota	Unlimited [1]	Do.
West Virginia	Varies on reciprocal basis	20 years.
2. Statewide school employees systems:		
Nebraska	10 years	5 years.
Pennsylvania	12 years [1]	10 years.
Texas	10 years [1]	Do.
3. Statewide public employees systems:		
Florida	do.[1]	Do.
Maine	do	Do.
Michigan	15 years	10 years and age 50; 25 years regardless of age.
South Carolina	Unlimited	15 years.
Local retirement systems:		
1. Local teachers systems:		
District of Columbia: Washington	10 years [1]	5 years.
Illinois: Chicago	do.[1]	20 years, under age 55; 10 years, age 55 and over.
New York: New York City	15 years [1]	15 years.

[1] Member pays the actual cost of out-of-State service credit.
[2] Vesting occurs after 6 years if position is abolished or the member not reemployed.

TABLE 7.—VESTING PROVISIONS AND MAXIMUM OUT-OF-STATE SERVICE IN STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

Retirement system	Type of membership [1]	Years of service and/or age requirements for vesting [2]	Maximum years of out-of-State service creditable
(1)	(2)	(3)	(4)
1. STATEWIDE RETIREMENT SYSTEMS			
Alabama	T	(a) 15 years at any age; (b) 10 years if in service at age 55.	None.
Alaska [3]	T	8 years	10 years.
Arizona	P	5 years	None.
Arkansas	T	(a) 20 years at any age; (b) 10 years, age 60.	10 years.
California [3]	T	5 years	None.
Colorado [3]	P	do	None.
Connecticut [3]	T	10 years	10 years (reciprocal).
Delaware	P	20 years	None (4 years may be counted toward 30 years' service retirement requirement).
Florida [4]	P	10 years	10 years.
Georgia	T	20 years	10 years (reciprocal).
Hawaii	P	5 years	None.
Idaho	P	do	None.
Illinois [3]	T	do	10 years.
Indiana	T	(a) 15 years' service and age 50; (b) 10 years at age 65.	8 years (limit may be exceeded under certain circumstances).
Iowa	P	(a) 8 years; (b) age 55 regardless of years of service.	None.
Kansas	P	10 years	None.
Kentucky [3]	T	5 years	8 years.
Louisiana [3]	T	(a) 20 years; (b) 10 years if teacher withdraws to enter public school teaching in another State.	None.
Maine [3]	P	10 years	10 years.
Maryland	T	15 years	Do.
Massachusetts [3]	T	(a) 20 years; (b) 6 years if position is abolished or the teacher not reemployed.	Do.
Michigan	S	(a) 25 years (b) 10 years and age 50	15 years.
Minnesota	T	10 years	None.
Mississippi	P	(a) 20 years for full vesting; (b) 16 years for partial vesting.	None.
Missouri	T	20 years	10 years.
Montana	T	5 years	5 years.
Nebraska	S	do	10 years.
Nevada	P	(a) 20 years for full vesting; (b) 15 years with partial benefit.	None.
New Hampshire	P	15 years	None.
New Jersey	T	do	10 years.
New Mexico	S	5 years	5 years.
New York	T	10 years	10 years.
North Carolina	P	5 years	None.
North Dakota	T	10 years	Unlimited.
Ohio	T	5 years	None (unlimited credit allowed to meet the eligibility requirements for retirement in Ohio).
Oklahoma	S	20 years	5 years.
Oregon	P	5 years	None.
Pennsylvania	S	10 years	12 years.
Rhode Island	P	do	5 years.
South Carolina	P	15 years	Unlimited.
South Dakota	T	10 years	None.
Tennessee	T	(a) 10 years; (b) 4 years for college and university faculty members.	None.
Texas	S	10 years	10 years.
Utah	P	4 years	None.
Vermont	T	15 years	None (10 years toward 15 year eligibility for disability retirement).
Virginia	P	5 years	None.
Washington	T	do	None.
West Virginia	S	20 years	Varies; on same terms as other States provide credit for West Virginia public school service.
Wisconsin	T	Immediate	None for members of combined group (with social security); out-of-State credit available to some separate group members under certain circumstances.
Wyoming	P	4 years	None.

See footnotes at end of table, p. 17.

TABLE 7.—VESTING PROVISIONS AND MAXIMUM OUT-OF-STATE SERVICE IN STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG—Continued

Retirement system	Type of membership [1]	Years of service and/or age requirements for vesting [2]	Maximum years of out-of-State service creditable
(1)	(2)	(3)	(4)
2. LOCAL RETIREMENT SYSTEMS			
California:			
Los Angeles	T	5 years	None.
San Francisco	P	(a) 10 years; (b) if accumulated contributions exceed $1,000.	None.
Colorado: Denver	S	10 years	None.
District of Columbia: Washington.	T	5 years	10 years.
Illinois: Chicago	T	(a) 20 years; (b) 10 years and age 55.	Do.
Iowa: Des Moines	T	20 years and age 45	None.
Minnesota:			
Duluth	T	No vesting	None.
Minneapolis	T	7 years	None.
St. Paul	T	10 years	5 years.
Missouri:			
Kansas City	S	5 years and age 40	None.
St. Louis	S	5 years	None.
Nebraska: Omaha	S	20 years	5 years.
New York: New York City	T	15 years	15 years.
Oregon: Portland	T	10 years	None.
Tennessee: Knoxville	P	15 years	None.
Wisconsin: Milwaukee	T	Immediate	None.

[1] In this column, T equals teachers and professional school employees only; S equals all school employees; P equals teachers and other public employees.

[2] The requirements listed are other than those needed for early retirment.

[3] No social security coverage.

[4] In December 1970, Florida consolidated its retirement systems. All new teachers will become members of this system and will automatically be covered by social security. Teachers under the old system had the opportunity to elect coverage in the new system and with it social security coverage.

TABLE 8.—PROVISIONS FOR VESTING BY YEARS OF SERVICE AND AGE REQUIREMENTS, STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

Vesting provisions	Type of retirement system		
	Teachers system	School employees system	Public employees system
(1)	(2)	(3)	(4)
STATEWIDE RETIREMENT SYSTEMS			
1. Years of service only:			
Immediate	Wisconsin		Utah, Wyoming.
4 years			Arizona, Colorado,[1] Hawaii, Idaho, North Carolina, Oregon, Virginia.
5 years	California,[1] Illinois[1], Kentucky,[1] Montana, Ohio,[1] Washington.	Nebraska, New Mexico	
8 years	Alaska[1]		Iowa.[2]
10 years	Connecticut,[1] Louisiana[1] (if teacher withdraws to continue public-school teaching in another State; otherwise, 20 years is needed for vesting), Minnesota, New York, North Dakota, South Dakota, Tennessee (4 years for college teachers).	Pennsylvania, Texas	Florida, Kansas, Maine,[1] Rhode Island.[1]
15 years	Alabama,[2] Maryland, New Jersey, Vermont.		New Hampshire, South Carolina.
20 years	Arkansas, Georgia, Massachusetts,[1 2] Missouri.[1]	Oklahoma, West Virginia	Delaware, Mississippi,[2] Nevada.[1]
2. Age and years of service:			
Age 50: 10 years		Michigan	
Age 50: 15 years	Indiana		
LOCAL RETIREMENT SYSTEMS			
1. Years of service only:			
Immediate	Wisconsin: Milwaukee		
5 years	California: Los Angeles; District of Columbia.	Missouri: St. Louis	
7 years	Minnesota: Minneapolis		
10 years	Minnesota: St. Paul; Oregon: Portland.	Colorado: Denver	California: San Francisco.
15 years	New York: New York		Tennessee: Knoxville.
20 years	Illinois: Chicago	Nebraska: Omaha	
2. Age and years of service:			
Age 40: 5 years		Missouri: Kansas City	
Age 45: 20 years	Iowa: Des Moines		
3. No vesting provision	Minnesota: Duluth		

[1] No social security coverage.
[2] See table 7 for alternative.

TABLE 9.—PROVISIONS FOR OUT-OF-STATE SERVICE CREDIT, STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG

Maximum number of years of out-of-State service credit allowed and type of system	Cost of out-of-State service credit paid by—	Comments
(1) and (2)	(3)	(4)
None:		
1. Statewide teachers systems:		
Alabama		
Calitornia [1]		Out-of-State credit was allowed up to June 30, 1944.
Louisiana [1]		
Minnesota		Out-of-State credit allowed before 1957.
Ohio [1]		Out-of-State service credit may be purchased only to meet eligibility requirement for retirement in Ohio, at rate of $100 for each year of out-of-State service.
South Dakota		
Tennessee		
Vermont		10 years of out-of-State credit may be purchased to meet the 15 years' service requirement for disability retirement eligibility.
Washington		Out-of-State service credit was available until June 30, 1964.
Wisconsin		No out-of-State service credit is available to members of combined group (those under social security); subject to certain limitations, some separate group members may receive out-of-State service credit.
Puerto Rico [1]		
3. Statewide public employees systems:		
Arizona, Colorado [1]		
Delaware		4 years of out-of-State credit allowed to meet the 30 year service requirement for retirement.
Hawaii, Idaho, Iowa, Kansas, Mississippi, Nevada,[1] New Hampshire, North Carolina, Oregon, Utah, Virginia, Wyoming.		
5 years:		
1. Statewide teachers systems: Montana	Member and employer	
2. Statewide school employees systems:		
New Mexico	Member only	
Oklahoma	Member and employer	
3. Statewide public employees systems:		
Rhode Island [1]		
8 years:		
1. Statewide teachers systems:		
Indiana	Member and employer	More than 8 years is allowed if the ratio of 1 year of out-of-State service to 3 years of Indiana service will equal more than 8 years.
Kentucky [1]	do	
10 years:		
1. Statewide teachers systems:		
Alaska [1]	do	
Arkansas	Member only	
Connecticut [1]	Member and employer	
Georgia		
Illinois [1]	Member and employer	
Maryland	Member only	
Massachusetts [1]	Member and employer	
Missouri [1]	do	
New Jersey	Member only	
New York	Member and employer	
2. Statewide school employees systems:		
Nebraska	do	
Texas	Member only	
3. Statewide public employees system:		
Florida	do	
Maine [1]	Member and employer	
12 years:		
2. Statewide school employees system:		
Pennsylvania	Member only	
15 years:		
2. Statewide school employees system: Michigan.	Member and employer	
Unlimited:		
1. Statewide teachers system: North Dakota.	Member only	
3. Statewide public employees system: South Carolina.	Member and employer	

TABLE 9.—PROVISIONS FOR OUT-OF-STATE SERVICE CREDIT, STATE AND LOCAL RETIREMENT SYSTEMS TO WHICH TEACHERS BELONG—Continued

Maximum number of years of out-of-State service credit allowed and type of system (1) and (2)	Cost of out-of-State service credit paid by— (3)	Comments (4)
Other:		
2. Statewide school employees system: West Virginia.	do	Credit for out-of-State service is given under the same terms and conditions which the other States follow in giving credit for West Virginia public school service.
None:		
1. Local teachers systems:		
California: Los Angeles [1]		No credit allowed for service outside city or its annexed territories.
Iowa: Des Moines		No credit allowed for service outside the city.
Minnesota:		
Duluth		Do.
Minneapolis [1]		Do.
Oregon: Portland		No credit allowed for service outside Portland school district.
Wisconsin: Milwaukee		
2. Local school employees systems:		
Colorado: Denver [1]		
Missouri:		
Kansas City		
St. Louis		
3. Local public employees systems:		
California: San Francisco		
Tennessee: Knoxville		No service credit allowed for service outside the city.
5 years:		
1. Local teachers system: Minnesota: St. Paul. [1]	Member only	
2. Local school employees system: Nebraska: Omaha.	Member and employer	
10 years:		
1. Local teachers system:		
District of Columbia: Washington [1]	Member only	
Illinois: Chicago [1]	do	10 years or ¼ of total service, whichever is less.
15 years:		
1. Local teachers system:		
New York: New York City	do	

[1] No social security coverage.

Mr. TENNANT. Thank you.

For more than 25 years the National Education Association and the National Council on Teacher Retirement have worked toward preserving the retirement credits for mobile teachers. The Council on Teacher Retirement, I might add, is composed of the State retirement administrators from all of the States and several large city and county retirement systems.

Our success to this point has been very limited because we are talking about an issue which appears to be an interstate problem and one in which the Federal Government is apparently going to have to become involved before it can be solved. We believe the programs of H.R. 10216 will solve or assist in solving the problems of the mobile teachers.

The concern to this committee with respect to the loss of retirement credit through mobility has been expressed through proposed legislation in other hearings such as this. With the increased longevity enjoyed by Americans today, it is imperative that teachers and all persons have the opportunity during their working years to accumulate the resources to provide for their postworking years.

Since a teacher will share in the cost of the programs of H.R. 10216, the opportunity provided for future years will be enhanced.

I think it might be important at this time to just briefly cover what State retirement systems look like, as they differ from the private sector. They are governed by statutes. They are created by statutes and they operate entirely by statutes. The only way they can be changed, of course, is by statutes.

The law in each State and locality compels that teachers belong to a retirement system. It is a condition of contract. Only one State, Vermont, permits a teacher to be exempt from the compulsory membership until age 30.

When I talk about teachers I am talking about all professional educators. This would include administrators, anybody in the professional capacity in the education system employed by a board of education.

So, we are, in this bill, taking into consideration all professional educators. Retirement systems differ in a number of ways even though many of them are very similar. Who is covered by the system perhaps is one point where we have some differences. Some systems cover all public employees, in which category teachers belong. Other systems exempt nonprofessional employees and cover only teachers.

Many systems permit college personnel to belong to TIAA. They have the opportunity then, in the few States where this is in existence, to maintain their retirement credits through these means. Systems differ also in how much money teachers contribute toward retirement.

In New York, for example, the teacher contributes nothing. It is a noncontributory system, such as it is in Utah effective July 1, and in Delaware on the first $6,000 of salary. This varies up to actuarial rates in California where the teacher might contribute up to 11 or 12 percent of his or her salary for retirement purposes. California law has recently revised this. It will be a standard 8 percent for everybody.

But the rates that a teacher contributes for retirement vary up to as much as 40 percent.

They also differ in how the State finances the retirement system. The majority of the systems operate on a reserve method of financing whereby they contribute each year for each teacher. Only two States operate on a pay-as-you-go basis such as the Federal Government retirement system. Most of them are soundly financed within a period of 20 to 40 years actuarily speaking, which is substantial with respect to funding.

They differ also in what the retirement benefits are. They differ in the formula used. But most of the systems operate on a final average salary, years of service plan multiplied by a percentage factor which is right now averaging around 2 percent. This is the formula that is used in the bill.

They differ also when retirement rights vest. About 70 percent of the teacher systems in the country vest after 10 or less years of service. About 19 systems vest in 5 years or less. The vesting rights are coming down.

They vary also in the amount of out-of-State credit that may be purchased. Twenty-five States at this time do permit the purchase of some credit. Only two or three States permit the purchase of credit within the financial reach of a teacher.

They vary also in social security coverage which is not really a part of the system. There are approximately 700,000 teachers in the country

who are not covered by social security. The basic means of their retirement then is the State retirement systems to which they belong.

With these differences there still are many similarities, particularly in the benefit formula. As I mentioned, they are all operating on a percentage factor with a final average salary which is generally averaged over the last 5 years, the highest 5 in the last 10 years, the highest 10 in the last 15 years are also used. Of course, years in service depends on whether they can purchase out-of-State credit.

Our statistics have shown that about 25 percent of teachers over the years have been mobile. Most of them who are over 30 years of age have lost credit. To explore a possible solution to this mobility problem, a NEA task force was created in 1968. Many different approaches were explored.

There are two means right now as there have been in the past for preserving retirement credits. One is to grant the right to purchase out-of-State credits, the other is early vesting. A third means, interstate reciprocity, was considered by the committee

But the complexities of interstate reciprocity ruled it out There is only one State now that maintains a statute which provides interstate reciprocity, and this is New York. So far no other State has adopted it.

In 1963, the Committee on Intergovernmental Relations ruled this out as a feasible method of preserving retirement credits because there are too many complexities in transferring of moneys across State lines.

I would like to introduce to you now Mr. Jack Kennedy who will talk about programs of H.R. 10216.

Mr. Kennedy.

Mr. KENNEDY. Thank you. My name is Jack Kennedy. I am the executive secretary of the Public Employees Retirement Association of the State of Colorado. I am also the secretary-treasurer of the National Council on Teacher Retirement and I am speaking for both organizations.

The provisions of H.R. 10216 are designed to improve public education by increasing the freedom of the Nation's teachers to change employment across State lines without substantial loss of retirement benefits. To accomplish this objective, the bill would establish a Federal-State program to assist in the funding of retirement benefits for mobile teachers.

The bill is intended to benefit teachers serving in public education. The term teacher means any individual who is employed in a professional educational capacity by a board of education and who is a member of a public, State, or local retirement system established under State law. Under this definition, coverage extends to teachers engaged in all public education from preschool through higher education.

Financial assistance from the Federal Government for service credited to teachers under the provisions of H.R. 10216 would go directly to the participating retirement systems. The program would affect teachers affected by the bill on the basis of its own benefit formula.

The proposed legislation covers public statewide retirement systems established under State law, as well as public local retirement systems recognized or established under State law, in which teachers participate.

Participation by covered retirement systems in the program as provided by the bill is voluntary. The legislation sets out certain condi-

tions which the retirement systems must meet in order to qualify for the Federal contribution. These qualifying conditions, which I will mention hereinafter, are essential to the realization of the bill's objectives.

Beyond this, the bill in no way disturbs the terms and conditions under which the systems operate and provide retirement benefits. The effect of H.R. 10216 would be to preserve and strengthen the State and local retirement systems. Under this bill, all participating retirement systems are treated alike, and equity is maintained between mobile and nonmobile teachers, and the administrative procedures for participating in the Federal–State program are not burdensome for the retirement systems or for the Federal Government.

The Federal–State program embodied in H.R. 10216 has two parts: (a) provisions for Federal assistance to finance the cost of out-of-State credit, and (b) provisions for Federal supplementation of vested deferred benefits.

What must a State retirement system do to qualify? Two things: Allow credit for at least 10 years of out-of-State public teaching service not vested elsewhere to be paid for by the Federal Government, the State, and the teacher and also, to provide for vesting of retirement rights after not more than 5 years' credited service.

Now the retirement system that is participating would receive payment from the Federal Government for each year of out-of-State service credited to a teacher at time of retirement and also would receive payment from the Federal Government to supplement the vested deferred benefit of a teacher at the time of initial retirement.

A Federal payment would be made to the system on account of each participating teacher having credit for out-of-State service who retires during a 12-month period preceding the close of the calendar year. The formula for this payment is: (a) 40 percent of the national classroom teachers' salary at the 75th percentile times (b) 2 percent, which is the benefit cost factor, times (c) a reserve factor of 12, which is based on the current life expectancy at age 65 and interest earned on the terminal Federal payment.

We have examples of these calculated out in our testimony. We can go through those but I think you can readily observe those.

In the vested deferred benefit section a Federal payment would be made to the system for each teacher having a vested benefit who retires during a 12-month period preceding the close of the calendar year. The formula for this payment is: (a) the difference between the national average in the year immediately preceding retirement and the national average of the teachers' salaries in the 10th year preceding retirement times the 2 percent—benefit cost factor—times the 12—reserve factor.

And again we have set forth written examples for your benefit and information.

As for the cost of administration, H.R. 10216, in its present form, does not contain a provision to assist the State retirement system in administering the bill. We would therefore propose that an amount equal to 2 percent of the Federal contribution be paid to the participating retirement system to effect the cost of administering such a program.

The benefit payable to the teacher who retires with credited out-of-State service not vested elsewhere would be paid by the State, or local, retirement system in accord with the terms of its benefit formula, from which the individual retires.

Again, we have set forth examples which will calculate out and give the committee information as to what the dollar amount would be. Each case would vary, of course, depending on salaries.

As to the vested deferred benefit, a teacher with vested benefit rights would receive his retirement allowance from the State, or local, system where the benefit is vested in accordance with that State's benefit formula. In addition thereto, he would receive a supplement financed by the Federal contribution provided by the bill.

The amount of the supplement depends upon the percentage increase in a given period in average teachers' salaries on a national or State basis, at the State's option. The total vested deferred benefit is the sum of a two-part calculation which is a little more complex. It is set forth for the committee in the testimony.

The National Education Association has employed the services of an outstanding nationally known actuarial firm to provide Federal cost estimates for H.R. 10216. Mr. Kenneth Ross, the president of Huggins and Company, Consulting Actuaries of Philadelphia, is here and his testimony is contained in a separate document.

Thank you for your attention.

Mr. Ross. I am Kenneth Ross of Huggins and Company, Consulting Actuaries in Philadelphia. I have served as consulting actuary for a number of State teacher accounting systems and other public employee retirement systems and have been an associate member of the National Council on Teacher Retirement for many years, having attended and participated in virtually all their meetings in the past 22 years.

Beginning in 1969, our firm was retained by the National Education Association to prepare cost estimates related to the proposed Federal legislation on retirement benefits for mobile teachers. Although it was recognized that any such cost estimates would be subject to wider variations than commonly found in actuarial studies, I agreed to do the best I could with the available statistics.

Using information largely obtained from the Research Division of the National Education Association, I prepared cost estimates on which I am submitting in the following report.

(The document referred to follows:)

PRESENTATION OF KENNETH H. ROSS, ACTUARY, AND CHAIRMAN OF THE BOARD, HUGGINS AND COMPANY, INC., PHILADELPHIA, PA.

Mr. Chairman, I am Kenneth H. Ross, Chairman of the Board of Huggins and Company, Inc., Consulting Actuaries, Philadelphia, Pennsylvania. I am a Fellow of the Society of Actuaries, Fellow of the Conference of Actuaries in Public Practice, Member of the American Academy of Actuaries, Fellow of the Canadian Institute of Actuaries, and a Member of the International Association of Consulting Actuaries.

Except for a 15-month period in 1947–48, I have been working since 1941 as a consulting actuary with Huggins and Company, Inc., and its predecessor organizations. Beginning in 1949, I have served as actuary for the State Teachers' Retirement System of Ohio and subsequently for the Teacher Retirement System of Texas and the Kentucky Teachers' Retirement System. As a result of these experiences I have been an Associate Member of the National Council on Teacher Retirement for many years and I have attended virtually all of their meetings in the past 22 years.

Beginning in 1969, I was retained by Dr. Glen Robinson of the National Education Association to prepare cost estimates related to the proposed Federal legislation on retirement benefits for mobile teachers. Although it was recognized that any such cost estimates would be subject to wider variations than commonly found in actuarial studies, I agreed to do the best I could with available statistics.

Using information largely obtained from the Research Division of the National Education Association, I prepared cost estimates on which I am submitting in the following report.

On July 3, 1970, and on April 28, 1971 Huggins and Company supplied certain information to the National Education Association relative to the assumptions that we made in arriving at cost estimates for the Mobile Teachers' Retirement Assistance Act. This testimony will serve to supply the same type of information and up-dated estimates for the bill currently before Congress.

According to information available to the National Education Association, approximately 2,328,000, members of the instructional staffs of public schools were covered in teacher retirement systems in 1971–72. In addition there were 306,000 full-time faculty members in higher education, of whom one-half, or 153,000, were assumed to be covered in these systems. The total assumed covered under these retirement systems for 1971–72, therefore, is approximately 2,480,000. Six years later, in 1977–78, the total in the public schools instructional staff has been projected to be 2,330,000 along with one-half of the 378,000 full-time faculty members in higher education, or 189,000, leading to a total of approximately 2,520,000 covered members in teacher retirement systems.

The increase in the total members coverd in these retirement systems from 2,480,000 to 2,520,000 is a 1.6% increase, or an average at a compound rate of 0.26% annually during the 6-year period. This increase of 0.26% annually is used in projecting results through the year 1982.

While an annual increase of 0.26% in the number of members may be considered low, there are indications that it may not vary greatly from the actual results. One piece of evidence is in a recent report of the U.S. Chamber of Commerce that projects that the total number of teachers in primary and secondary schools will remain at approximately 2.2 million through 1979. The reason is a projected decrease in the number of openings for teachers each year, which, they reported, crested at 242,000 in 1969; the report anticipates that openings will run at 175,000 to 180,000 for the rest of the decade.

Based on statistics obtained from the National Education Association Teacher Opinion Poll for 1969, it was observed that 6.3% of all teachers were in the age group 60 to 64; 1.5% in the age group 65 to 69; and 0.1% in the age group 70 or more; leading to a total of 7.9% of all teachers age 60 and older.

Applying this 7.9% to the total number of 2,480,000 covered, we arrive at a total of 195,920 teachers assumed eligible to retire in 1972.

Of those teachers 60 and over eligible to retire, we have developed statistics in our office among a number of these teacher retirement systems indicating that approximately 23% of members 60 and over retire each year. Hence, the number retiring in 1972 from all the teacher retirement systems, was taken as 23% of 195,920, or 45,062.

The next step was to project the corresponding number of members retiring from all teacher retirement systems in the future, and for this we used the incremental factor of 0.26% annually. This assumption lead to the result of 45,179 for 1973 (45,062 × 1.0026) and produced the following results over a 10-year period:

NUMBER OF MEMBERS RETIRING FROM ALL TEACHER RETIREMENT SYSTEMS (PROJECTED)

Year	Number	Year	Number
1973	45,179	1978	45,770
1974	45,297	1979	45,889
1975	45,414	1980	46,008
1976	45,532	1981	46,127
1977	45,651	1982	46,247

From this point, the assumptions relate separately to the out-of-state credits and the vested deferred credits.

OUT-OF-STATE CREDITS

The NEA Teacher Opinion Poll for 1969 included statistics related to 264 teachers aged 55 and over, of whom 55 reported having lost pension credit for out-of-state service. Counting only a maximum of 10 years of credit per individual, the total period of credit lost was 313 years.

Hence, the average number of years of out-of-state lost among the 264 teachers reporting was 313÷264, or 1.2 years. Hence, the assumption used in estimating the cost of the Federal subsidy for out-of-state credit is that the average number of years for which a retiring teacher is eligible is 1.2 years.

The next step is to determine the liability or cost for each year of out-of-state credit. This is illustrated on the explanatory material developed for the Committee (the blue sheet) as (40 percent × $10,500) times (2 percent × 12) equals $1,008. Updating the result for the national average teacher salary at the 75th percentile, we must change the $10,500, which was estimated for 1970–71, to $11,200, which is estimated for 1971–72. This increases the liability for each year of out-of-state credit from $1,008 to $1,075.

This figure of $1,075 represents the net subsidy, but there is no "loading" for administrative expenses provided for in this bill. Hence, the gross cost to the Federal Government for each year of out-of-state credit remains unchanged at $1,075. Multiplying this cost by the average of 1.2 years of out-of-state service credit for each retiring teacher, we arrive at a cost of $1,290 for each teacher in the first year. This cost is projected by assuming an annual increase of 5.7% in the 75th percentile salary used in each of the next 3 years with lessening percentage increases in the future in accordance with the following table:

GROSS COST OF FEDERAL SUBSIDY FOR EACH RETIRING TEACHER

[Out-of-State credits]

Year	Percent increase	Cost	Year	Percent increase	Cost
1973		$1,290	1978	4.5	$1,672
1974	5.7	1,364	1979	4.0	1,738
1975	5.7	1,441	1980	3.5	1,799
1976	5.7	1,523	1981	3.0	1,853
1977	5.0	1,600	1982	2.5	1,990

These cost figures will be used in the final table in which the costs are developed for both the out-of-state credits and the vested deferred credits.

VESTED DEFERRED CREDITS

The N.E.A. Teacher Opinion Poll for 1969, to which reference has been made, included statistics related to 264 teachers, of whom 93 had taught outside of the state in which he was currently teaching and 23 of these had retained their credited service. This represents 8.7% of the teachers in the survey. While the survey did not reveal the number of years for which vesting was retained, it did reveal that 55 teachers had lost out-of-state credit totalling 432 years—or an average of 7.9 years per teacher. (In using similar statistics for the out-of-state credits, we had used total out-of-state years of 313 for these teachers, but this lower number was obtained from the 432 years by excluding years in excess of 10 for an individual.)

We then assumed that 8.7% of teachers had an average of 7.9 years of vested deferred credits in other systems; or that the average number of years vested deferred credit for each retiring teacher is 8.7% of 7.9 years, or 0.7 years.

The next step is to determine the liability or cost for each year of vested deferred credit. To do this we need to know the national average teacher salary in the preceding years, the same figure in the tenth preceding year, and the "benefit cost factor" which we have already taken as 2%× 12, or 24 %. The following table shows the actual average salary for the school years 1962–63 through 1971–72 and the projected average salary for future years assuming the same rates of increase used in projecting the cost of the out-of-state credits.

Year	Average salary, preceding year		Average salary 10th preceding year		Increase in average salary
	Year	Salary	Year	Salary	
1973	1971-72	$9,690	1962-63	$5,730	$3,960
1974	1972-73	10,240	1963-64	6,000	4,240
1975	1973-74	10,830	1964-65	6,200	4,630
1976	1974-75	11,450	1965-66	6,490	4,960
1977	1975-76	12,020	1966-67	6,830	5,190
1978	1976-77	12,560	1967-68	7,420	5,140
1979	1977-78	13,060	1968-69	7,910	5,150
1980	1978-79	13,520	1969-70	8,480	5,040
1981	1979-80	13,930	1970-71	9,200	4,730
1982	1980-81	14,280	1971-72	9,690	4,590

(Note that the increase in average salary does not always become larger in future years. This results from our assumption of a lower rate of increase in average salary than the corresponding increase in actual salary in the 10th preceding year. For example, the increase from $8,480 to $9,200 from 1969–70 to 1970–71 was over 8% whereas we have assumed a 3% rate of increase between the 1978–79 and 1979–80 school years).

The Federal subsidy for each year of service credited for the vested deferred benefit, without adding any "loading" for expenses, is

$$\text{Increase} \times 24\%$$

To adjust our answer to the average of 0.7 years of vested deferred credit for each retiring teacher, we multiply by that factor also, arriving at

$$\text{Increase} \times 24\% \times 0.7$$

or

$$\text{Increase} \times .168 \text{ for each year of vested deferred credit}$$

This gives the cost to the Federal Government in each year per retiring teacher, as follows:

Year	Increase in average salary	Cost per retiring teacher	Year	Increase in average salary	Cost per retiring teacher
1973	$3,960	$665	1978	5,140	864
1974	4,240	712	1979	5,150	865
1975	4,630	778	1980	5,040	847
1976	4,960	833	1981	4,730	795
1977	5,190	872	1982	4,590	771

Note: These cost figures are used in the final gathering of the results.

COST OF FEDERAL SUBSIDY

The final results were obtained by determining the maximum potential cost if all covered teachers were eligible for the benefits of the proposed legislation and then making assumptions as to the percentages that would qualify. The procedure is as follows:

(1) To determine the maximum potential subsidy—

Year	Teachers retiring	Out-of-State credits		Vested deferred credits	
		Cost per teacher	Maximum cost	Cost per teacher	Maximum cost
1973	45,179	$1,290	$58,281,000	$665	$30,044,000
1974	45,297	1,364	61,785,000	712	32,251,000
1975	45,414	1,441	65,442,000	778	35,332,000
1976	45,532	1,523	69,345,000	833	37,928,000
1977	45,651	1,600	73,042,000	872	39,808,000
1978	45,770	1,672	76,527,000	864	39,545,000
1979	45,889	1,738	79,755,000	685	39,694,000
1980	46,008	1,799	82,768,000	847	38,969,000
1981	46,127	1,853	85,473,000	795	36,671,000
1982	46,247	1,900	87,869,000	771	35,656,000

(2) The final calculation relates to the fact that, at the time of the study, only two state teacher retirement systems (Illinois and Nebraska) appear to have qualified for the Federal subsidies. Consequently, the maximum potential cost obtained above must be sharply reduced initially, and then assumptions made as to increasing numbers of systems qualifying in the future.

One final point is that the purchase of out-of-state credits requires substantial cash payments by the teacher involved, and not all teachers take advantage of the opportunity. We assumed, therefore, that 80% of the teachers would purchase the out-of-state credits, which reduces the cost of the Federal subsidies correspondingly.

[Dollar amounts in millions]

Year	Percent of maximum			Out-of-State credits [1]				Vested deferred credits			
	Low	Medium	High	Maximum	Low	Medium	High	Maximum	Low	Medium	High
1973	10	15	20	$58.281	$4.7	$7.0	$9.3	$30.044	$3.0	$4.5	$6.0
1974	15	20	30	61.785	7.4	9.9	14.8	32.251	4.8	6.5	9.7
1975	20	25	40	65.442	10.5	13.1	20.9	35.332	7.1	8.8	14.1
1976	25	30	50	69.345	13.9	16.6	27.7	37.928	9.5	11.4	19.0
1977	30	35	60	73.042	17.5	20.5	35.1	39.808	11.9	13.9	23.9
1978	35	40	61	76.527	21.4	24.5	37.3	39.545	13.8	15.8	24.1
1979	40	45	62	79.755	25.5	28.7	39.6	39.694	15.9	17.9	24.6
1980	45	50	63	82.768	29.8	33.1	41.7	38.969	17.5	19.5	24.6
1981	50	55	64	85.473	34.2	37.6	43.8	36.671	18.3	20.2	23.5
1982	55	60	65	87.869	38.7	42.2	45.7	35.656	19.6	21.4	23.2

[1] 80 percent of maximum potential cost used.

The figures in the above table show the maximum potential subsidy, and the assumed low, medium and high cost estimates for the two programs separately. When the above results for the medium cost estimates are summarized and totalled, the final results are as follows:

ESTIMATED COST OF FEDERAL SUBSIDIES (MEDIUM COST ESTIMATES)

[Dollar amounts in millions]

Year	Out-of-State credits	Vested deferred credits	Total	Year	Out-of-State credits	Vested deferred credits	Total
1973	$7.0	$4.5	$11.5	1978	$24.5	$15.8	$40.3
1974	9.9	6.5	16.4	1979	28.7	17.9	46.6
1975	13.1	8.8	21.9	1980	33.1	19.5	52.6
1976	16.6	11.4	28.0	1981	37.6	20.2	57.8
1977	20.5	13.9	34.4	1982	42.2	21.4	63.6

SUMMARY

As a result of our cost estimates, which are necessarily subject to considerable variation, it appears that the cost of the proposed Federal subsidies might total approximately $11,500,000 in the first year of the program, with steady increases each year until costs are reached in the 10th year that might approximate $63,600,000

Mr. Ross. In this report we detail the data that were used in arriving at our cost estimates and, in appropriate places, we relate the unit cost to those that are presented in the testimony already presented by the NEA, particularly with respect to the unit cost for each year of service both for the out-of-State service credits and for the vested deferred credits.

What I have done then is to take those unit costs for each year of service and then put them into our projection of the cost for the total number of teachers in our projection. One of the first tables that was developed is on page 2 of the testimony where we show the projected number of members retiring from all teacher retirement systems.

In arriving at this number, we took into account not only the teachers and other administrative personnel who are included in teacher retirement systems, but also approximately 50 percent of the total number of teachers in higher education, assuming that 50 percent of these would be covered in the State teacher retirement systems.

We have projected the numbers retiring from all teacher systems beginning with 45,000 in 1973 and increasing to some 46,000 in 1982. We then take the two portions of cost separately, the out-of-State credits and later the deferred credits for the vesting provisions of the bill.

The costs that we developed for the out-of-State credits on the unit basis for each retiring teacher appear on a table on page 4 of my testimony. In 1973, the unit cost, it is projected that the first year in which a cost would result for the Federal Government is $1,290 for each retiring teacher for the out-of-State credits. This has built into it the very elements in the form that has been previously described, then with projected increases in the future up to $1,990 in 1982.

With respect to the vested deferred credits, again, we have a similar table that shows first the increase in the average salary on the table in the middle of page 5, in the future years based on projected average salaries in the future on the one hand, and the actual average salary for the 10th preceding year on the other.

From these results we arrive at—and it is shown on the table on page 6—the cost for each retiring teacher for the vested deferred credits. The cost in 1973 is $665, increasing in 1982 to $771.

I will skip over to the bottom of page 8 where we show what I refer to as the medium cost estimate summarized and totaled. At the bottom we show that the out-of-State credits are estimated to cost some $7 million in 1973. This is the Federal Subsidy. The vested deferred credits of $4½ million or a total of $11,500,000 in 1973, increasing as we project more and more retirement systems becoming eligible for the provisions of this bill to a total of some $63.6 million in 1982.

That is my testimony.

Mr. TENNANT. I would like to add that the figures Mr. Ross is using to arrive at the cost projections were based on many different studies. This was an average of the many different studies. A more recent study which has just been published by the National Education Association indicates that the mobility rate, percentagewise, is coming down with the influx of new teachers. Therefore, the cost projection that you have before you is a high cost projection for all years.

Right now, about 19.8 percent—about 1 in 5 of the teachers, if our sample is valid, are mobile.

About 1 in 9 of these people who have been mobile has lost credits, which indicates also that our vesting rights coming down are preserving the credits for teachers. However, 5 years ago or 10 years ago, when vesting was 25 or 30 years and a person became mobile, the credits were lost and there is no way for these teachers to retain the credits unless they are available for purchase on an out-of-State basis.

My point is that the projection you are looking at is a high projection.

Mr. DENT. Have any studies been made as to how the mobility of teachers compares with the mobility of the work force in general? Are they more mobile, say, than the workers in the aerospace industry? Mobility is increasingly an interesting problem in private retirement systems as well. I am just wondering how these facts might help determine what the cost ratio would be for regular private employment pension systems. Has any study been made as to whether mobility is peculiar to the teaching profession, or is mobility something that occurs more generally?

Mr. TENNANT. I don't think any comparative statistics have been drawn up. At least we haven't done anything. We know that at this time, from the figures I just gave you, about 20 percent of our teachers are mobile. I think the general population may be a little more mobile than that. However, that doesn't necessarily mean that they are losing retirement credits.

Mobility could be moving from one State to another for an industrial firm and still maintaining retirement credits. This would be a separate problem, and it would probably be very difficult to determine how many people are affected.

Mr. DENT. Does a teacher lose credits by moving to a different school district in the same State, but where there is a different retirement system?

Mr. TENNANT. It would be possible in certain situations. As I mentioned earlier, each State does have a statutory retirement system; and we can take California, for example. California, in the past, had a State retirement system for teachers, and also in existence was the Los Angeles teachers retirement system and the San Francisco teachers retirement system.

They had intrastate portability in that they could transfer from one system to the other. Now, in Georgia, for example, Fulton County has a separate retirement system, Atlanta and Fulton County. These teachers transferring from the State teachers retirement system into the Fulton County or Atlanta system would lose credits.

Mr. DENT. It is not likely that various school districts consciously use the nontransferability of credits to discourage the mobility of teachers?

Mr. TENNANT. I think the problem is that a State is willing to pay the cost for a person as long as a person is working in the State. Once the person leaves the State, then the State feels that this is not their responsibility; or if a person comes into the State, the State again feels it is not their responsibility to provide the credits, and I think rightfully so.

This is why it becomes an interstate problem and, I think, one in which the Federal Government is going to have to try to solve.

Mr. DENT. It is my understanding that when a teacher leaves the system, the State retains that portion of the contribution made by the

State or employer. Does that reduce the cost to the State for the balance of the coverage?

Mr. Ross. These costs that the State appropriates to these teacher retirement systems are, in most instances, determined by actuarial valuation; and in projecting the cost to the State, most actuaries make allowance in advance for anticipated turnover without vesting. I would say that in most cases the State is contributing a net amount that already anticipates that some teachers will be leaving service without a vested right

As a vested right becomes more and more liberal—that is, a shorter period of service required—then the anticipated release of liability would decrease so that more and more the State pays a larger amount as the vesting provisions become more liberal.

Mr. DENT. Is there any rule-of-thumb figure you can give us on what you write into the actuarial participation representative of your experience, that would give us an insight into the extent of the loss of pension credits occasioned by movement or mobility of teachers?

Mr. Ross. I am afraid not. It would be too dangerous to make any general statement in that nature.

It is done in a complicated way where we actually provide service tables that allow for a certain percentage of members leaving according to various ages, and the percentage of terminations at the younger ages is very high generally; and as the age increases, this percentage of termination gradually decreases.

All I could say, sir, is if a State is contributing a 10 percent of total payroll to a State teachers retirement system, it is quite conceivable that if all members are vested immediately instead of after 10 years or 5 years, it is conceivable that the additional cost might be another 1 or 2 percent of payroll depending on a number of factors which would be difficult for me to make a general statement about.

Mr. DENT. Would you say that attrition, either through mobility, leaving the profession, death, or illness, would account for 10 percent of the total number of teachers in a system and that 10 percent would receive final payment with pension at the end of their retirement years?

Mr. Ross. We project a much higher percentage of members receiving benefits ultimately than 10 percent.

Mr. DENT. Higher than 10 percent?

Mr. Ross. Much higher than 10 percent.

Mr. DENT. The average in some areas in the private sector that we have investigated indicate that one out of 10 persons ever covered in the private pension system receives benefits at the end of the road. And nine out of 10 contribute to the 10 percent who collect. Does that have any relationship with what is happening in the teachers' retirements in the States?

Mr. Ross. The teacher systems would provide a much different result from that. It is true that there is substantial amount of turnover in the very early years, in the early 1920's, that I would consider of no great consequence as far as retirement is concerned, but beyond that a much higher percentage of teachers ultimately qualify for benefits, and there are different types of benefits—disability benefits, death benefits, retirement benefits—a much higher percentage than 10 percent.

Mr. DENT. It is very difficult for anyone to give us a set of figures anticipating cost to the Federal Government. Unless they do come up with some kind of a figure on what the attrition is and what they will be receiving and what our final cost would be at the end of the road of the retired individual, how many individuals will be paid for, how many of the teachers that move from one jurisdiction to another will be there at retirement, and what will it cost the Federal Government at that point? What happens to the Federal money that is paid in to buy back credits in a system if the teacher doesn't collect?

Mr. ROSS. This money is paid at the end of the line. In other words, when a teacher has retired and is entitled to either out-of-State credits or to deferred credits, at that point in time the Federal subsidy becomes operative. It is not anticipated; in other words, it is after the fact.

Mr. DENT. Do the State retirement plans, upon the death of a retired person, pay dependents in most of the systems or any systems?

Mr. ROSS. If the member has elected so-called joint survivor option after his retirement, then the beneficiary would continue to receive a percentage of his pension, 100 percent or 50 percent or whatever percent.

Mr. DENT. To what extent can a plan participant select his or her beneficiary? Is payment limited to the surviving spouse? Children? Parents?

Mr. ROSS. Most systems require payment to a dependent, usually the spouse of a member. There are provisions where the spouse is not allowed a more liberal election of option.

Perhaps Mr. Kennedy might speak to that point, being a director of a system himself.

Mr. KENNEDY. Our law provides that anyone who may join as a joint survivor, anyone having an insurable interest in the life of the beneficiary. So it does go down the line quite a way. However, our actuaries also tell us that if we are going to join—Let's say, if I retire and have my daughter—Obviously if I have a joint benefit it is going to be considerably less if I am insuring her life as well as mine if it is going to be paid over the lifetimes of both of us.

Mr. DENT. We are always happy to hear from the other side, so at this time I will turn the meeting over to Mr. Erlenborn, the ranking member of this committee.

Mr. ERLENBORN. I think you have told us that many of the plans have 20-to 40-year funding programs. Is this based on hard research? Can you substantiate this and to what extent? Are they 20 year, and to what extent higher than 20 year?

Mr. ROSS. I am familiar with the approximate funding period in a few of the systems that we serve, but I got the impression that this range of funding period is probably approximately right, but I get this more from hearsay than any actual facts.

Mr. ERLENBORN. So this is based on hearsay?

Mr. KENNEDY. I can quote Colorado's exactly as one, but our law now provides that we must fund ours within 60 years. But we have an actuary evaluation every year of both active and retired and Colorado has four systems. The State-employed system is now being funded in 33 years, the school system in 31, the municipal system in 17, and the judges in seven. So, to us it means we are in good financial shape.

Mr. ERLENBORN. Is that full or partial funding?

Mr. KENNEDY. That is full funding.

Mr. ERLENBORN. And is that based on some contractual relationship or is it based on the willingness of the legislature to appropriate annually?

Mr. KENNEDY. We try to avoid the term "contractual relationship" as such, but it is also based on the ability of the legislature following up each year's actuarial evaluation to pay the money. Now in some States—Colorado is not one—it is what they call an open end where the actuary says you owe us x million dollars this year.

Colorado builds into its law, as many States do, a percentage of payroll that is required to meet those benefit costs.

Mr. ERLENBORN. You see, I ask this question from the background of having served for 8 years in the Illinois Legislature and seeing my colleagues who served on the pension study commission annually introduce bills to pay the interest on the past contributions the State was supposed to have made but didn't make. The interest bill was, I think, running at $30 or $40 million annually for past contributions that had not been made, so I was really quite surprised when I heard there was 20- to 40-year funding.

I am not too surprised now when I hear that is a guesstimate rather than a hard figure.

Mr. KENNEDY. We are trying to avoid that very thing in Colorado. We don't want to come up with those costs.

Mr. TENNANT. Illinois, by statute, is to fund 120 percent of the teacher contribution, which is 6½ or 7 percent, so they would be funding 1.2 percent above the teacher. Illinois has not done that. They have not adhered to the statute. Therefore, their liability is tremendous at this time.

California is another example. They were on a pay-as-you-go basis until the past summer. Now they are working toward funding on a matching basis with the teachers.

Connecticut is the one unfunded system among the teacher systems and Maine is also unfunded. Other systems are presently working toward the reserve method and it varies considerably.

Mr. ERLENBORN. Aren't some other public employee pension systems moving toward pay-as-you-go? I understand the city of New York either is on pay-as-you-go or is moving in that direction.

Mr. TENNANT. I think most of the systems—Ken, you might be able to add—are working toward the reserve method. More of them in recent years have adopted reserve method of financing as compared to pay-as-you-go.

Mr. ERLENBORN. Again, dependent on annual appropriations.

Mr. TENNANT. The statute calls for the reserve method of funding.

Mr. ERLENBORN. But there is no enforcement of that. It is still dependent on annual appropriations; is it not?

Mr. ROSS. I am familiar with some States where the statute says that the legislature shall appropriate the amount required to fund and even in spite of that requirement there have been occasions where the State has failed to make the appropriation, although in at least one instance it immediately followed up at the beginning of the next fiscal year to make up the deficiency and to appropriate the proper amount for the next succeeding year. It is possible that it might not have made up the deficiency.

Mr. ERLENBORN. There is a longstanding principle in parliamentary law that one Congress does not bind any succeeding Congress; one State legislative session does not succeed the preceding one.

Mr. TENNANT. They have had lawsuits, incidentally, on this particular issue—one in Washington, one in Indiana. In both cases, the money was restored by the courts to the retirement system.

Mr. DENT. Isn't it true that in many States it is just a bookkeeping situation? For instance, in the State of Pennsylvania, we guarantee 4 percent to the fund. The fund must earn 4 percent and we guarantee the difference between what the fund earns and the 4 percent. However, one finds that most of the pension fund is already obligated to the State, because the State borrows it at 2 to 2½ percent for State purposes and the legislature makes up the difference of 4 percent. They are really trading paper. Actually, there isn't any money in the fund. It is nothing but State obligations.

Mr. Ross. Mr. Chairman, I happen to be familiar with the situation in Pennsylvania because we serve as actuaries for the State employees' retirement system. They have now some $900 million of assets in the State employees' retirement system and a considerably larger amount of assets in the public school employees' retirement system.

Mr. DENT. How much of that is now in State bonds, for instance, for the public school authority building fund, for the highway and bridge building fund?

Mr. Ross. Very little now. The vast majorty of those investments are in bonds of commercial corporations at the present time. I would be very pleased to send you a list.

Mr. DENT. Now, at the present time, because of the high interest that is being paid on commercial bonds compared to the State paying only 4 percent. They are letting them earn a lot more money.

Mr. Ross. They are earning. I know there was a period of about 20 years when the State did have to appropriate money to make up the interest deficiency to which you referred.

Mr. DENT. That is the years I served.

Mr. ERLENBORN. Things got better after you left?

Mr. DENT. Maybe they can balance the budget here if I leave.

Mr. TENNANT. In 1952, about 50 percent of all the investments of State teachers' retirement systems were in State bonds. Now, it's about 15 percent.

Mr. DENT. Of course, I have been away from it for a few years. It is better now, as you say.

Mr. ERLENBORN. Let me ask this. According to the blue sheet, in order to participate or qualify the State system must accept at least 10 years of service rendered to some other State. Since many of the State programs have 5- to 10-year vesting periods, does this mean that vested credits in one system can be transferred to another, or only unvested?

Mr. TENNANT. Only the credits that are not vested elsewhere. It wouldn't be a double retirement for any individual.

Mr. ERLENBORN. Do you provide in the bill for transfer of contributions plus interest from the first fund to the second one?

Mr. TENNANT. No, this is reciprocity arrangement and nearly all States have a constitutional provision which prohibits transfer of funds across State lines with the exception of New York. So, no money

goes across State lines. If the person were vested in Illinois, for example, the funds would remain there and in accordance with the bill, a Federal subsidy would be paid to that system to increase the vested deferred benefits.

Mr. ERLENBORN. But the first fund would be the beneficiary, would it not? The contributions would be made on behalf of the teacher, but no pension would have to be paid?

Mr. ROSS. The two portions of the bill. If we are talking about the vested deferred credits then, if a teacher has vested credits when he leaves, say, Illinois for the required period then at some subsequent date when he qualifies for retirement Illinois would pay him the necessary pension based on the years of credit on the Illinois formula.

In this bill, H.R. 10216, would provide a Federal subsidy that would pay additional benefits largely because of the fact that when the credits were earned in Illinois the salary on which these credits are determined are at the lower level than the salary at which he is retiring in some other State some years later.

Mr. ERLENBORN. I may have misunderstood. The contribution is made to the State where you say the first service was rendered and where there are vested deferred credits?

Mr. ROSS. Illinois would get the subsidy and Illinois would pay the additional——

Mr. ERLENBORN. Say the person had spent 10 years teaching in Illinois and 20 years in Indiana. Does Indiana as the last employing State get any benefit under this bill?

Mr. ROSS. Not from the vested deferred credits. On the other hand, if the teacher leaving Illinois did not have a vested right but had, say, 4 years of service credit and if the teacher in Indiana decides to buy these 4 years of out-of-State service credit then this other provision of the bill would come into play and Indiana would grant 4 more years of credit under the Indiana formula. Indiana would pay the teacher just the one retirement check, including the credit for 4 additional years and Indiana would get the Federal subsidy for the out-of-State service credit portion of the bill.

Mr. ERLENBORN. Does the teacher pay from his or her own funds for buying this credit? Is it based on the assumption the teacher is going to be able to withdraw his contributions from the prior system?

Mr. ROSS. I would say that all systems permit withdrawal of service credit of the accumulated contributions on termination of membership.

Mr. ERLENBORN. Would the teacher profit, depending on the funding practices of the contribution rates that vary between the systems?

Mr. ROSS. Not likely.

Mr. ERLENBORN. Would a teacher be able to draw out more from the first State of employment than he or she would be required to pay in the second State?

Mr. TENNANT. That could be possible, but if that were the case the benefits would be lower because each State has its own funding methods and its own formula. Teachers could not profit from it. There is an interest rate that it pays that the teacher withdraws. It is usually in the form of 4 percent on money the teacher is compelled by law to put in the system. If the teacher was 10 years and withdraws from Illinois and goes to Indiana, that teacher gets back only the contributions he has made plus the interest rate, which is 4 percent of contributions. And if he goes to Indiana and can purchase the

out-of-State credit, the Indiana formula might be less and is less than the Illinois formula. Therefore, the teacher might have something left over, but that is his own money.

Mr. ERLENBORN. When you say "purchase," this is not done all in one lump sum. Isn't it done over a period of years, matching year for year?

Mr. TENNANT. Yes.

Mr. ERLENBORN. What does a teacher do with the funds drawn out of the first system? Does he invest those and draws the interest on that until he is required to pay it in?

Mr. TENNANT. That would be the logical thing to do. The practices vary. There are 25 States that purchase out of their credits. Illinois has a very good means of providing portability. They do permit purchase of 10 years of out-of-State service and the State takes in an amount.

Other States require the teacher to pay his share and interest rate and the State's share. This would be exorbitant. Where this is in existence it is out of the financial reach of the teachers. For example, in one particular State a teacher is compelled to pay 6 percent of salary for current service. In order to buy in for out-of-State the teacher would have to pay about 18 percent of salary, so this would be 24 percent plus 5.5 percent now for social security—30 percent of the salary going into retirement benefits. This is the problem we have encountered. Where credit is available to purchase this out-of-State service it is just out of the financial means of the teachers.

Mr. ERLENBORN. Other than the fact that your organization represents teachers, can you give us any reason why we should have this sort of system for mobile teachers rather than for other public employees or private employees?

Mr. TENNANT. I think all people should have portability of credits because if we don't have portability of credits we are creating a massive social problem at sometime in the future, and this is what we are trying to prevent. We are certainly not against portability for anybody, but we are speaking of the teachers.

Mr. ERLENBORN. Do you think firemen, policemen, and other public employees ought to be included in a bill such as this if it is passed, rather than teachers only? I am asking if there is some overriding public policy that would say teachers should be given this benefit before other public employees.

Mr. TENNANT. I think Mr. Kennedy can probably speak to that. Mr. Kennedy's system in Colorado is a public employees system where he does have firemen, policemen, and judges.

Mr. KENNEDY. We don't have firemen and policemen. They are separate. We do have State and municipal employees and judges. Your question is a very good one and a logical one. Public employees, whether it be State employees or school employees like to follow each other around and whoever has got the best deal, they want to get in on the act. You may have also heard some of our testimony or heard about it, on income tax credit. Also, there are some areas of the tax laws in which certain segments of public employees seemingly are favored over other segments.

The long way around to answer your question is "Yes," I think it would be good for all public employees but the problem has come up

more pointedly in the teacher group. I am not sure about the statistics but it seems like when an employee leaves the State employment he doesn't go to another State for State employment as much as a teacher leaving one State goes to another State. They either go into private employment or something else.

Mr. ERLENBORN. Thank you.

Mr. DENT. Mr. Hawkins.

Mr. HAWKINS. In the projections, are you assuming all State retirement systems will qualify under the act?

Mr. ROSS. No.

Mr. HAWKINS. What percentage are you including?

Mr. ROSS. In the low cost estimates shown on page 8, we show it is 10 percent of the maximum cost. It is not quite the same as 10 percent of the system, but 10 percent of the maximum cost would be encountered. If you follow down the percentage for the low-cost estimates it increases 10 percent, 15 percent, 20 percent until 55 percent in 1982.

Then we have a column for the medium cost estimates and then for the high cost estimates. These percentages start low and gradually increasing, allow for, in our projection, the fact that initially very few of the States will qualify but gradually a greater percentage will qualify. This appears in the table on page 8.

Mr. HAWKINS. Is there any way of encouraging all of them or more of them to qualify because it seems that great inequities are going to be built in depending on the retirement system or the system to which the teacher moves. Many are certainly rightfully entitled to some retirement benefit but will be disqualified because the system to which they move does not qualify.

Mr. ROSS. This will require action of each State legislature and, I think eventually the pressures will be there for all of them to join, but I imagine it will take time.

Mr. HAWKINS. In reading the bill, it seems to me that when a teacher moves from, let us say, Mississippi to California, the teacher gains while one who moves from California to Mississippi would lose. Is that the way it operates?

Mr. TENNANT. No; not necessarily, sir. If a teacher is going to lose credits, regardless of which State they go to or from, they lose the credits. The Mississippi retirement system is not—I think what you are saying is— not as good and the salaries are not as high as they are in California.

Therefore, if a teacher were to transfer to California and buy credits in the State of California the teacher would have to pay the same rate that every teacher in California pays for those credits. The benefit would probably be higher because the salary is higher.

Mr. HAWKINS. Even for the prior service in Mississippi?

Mr. TENNANT. That is right. In that case the teacher would be receiving a greater benefit because of the formula and because of the salary. If a teacher goes from California to Mississippi it would be lower because of the salary and the formula.

Mr. HAWKINS. Would the teacher in California be able to purchase out-of-State credits?

Mr. TENNANT. Not in the State of California. This was permissible until 1944 and then it was discontinued in the State. They do not have a provision for purchasing out-of-State credits.

Mr. HAWKINS. Do you have any idea what the credit loss is at the present time for teachers who move from one State to another?

Mr. TENNANT. These are in the calculations from the sample that we supplied to Mr. Ross.

Let me say this: Our most recent statistics indicate about one in five teachers has moved across State lines. That is roughly 20 percent of those teachers, and, of that 20 percent of teachers, one in nine or 11 percent of the total teacher population has lost some credits by transferring across State lines.

In some States it would vary. It might be larger in one and very small in another.

Mr. HAWKINS. I have no further questions. Thank you.

Mr. DENT. Mr. Carlson.

Mr. CARLSON. Thank you, Mr. Chairman.

In business and industry employers encourage participation in vested pension and profit-sharing plans and so forth, with penalties if an employee terminates his employment. One reason is to encourage employees to remain with an employer who would benefit by the employee's years of experience and knowledge of the job and the local background.

In the case of mobility of teachers, if teachers are encouraged to become more mobile by the Federal or State government through subsidies wouldn't this have the effect of forcing the employing school unit to engage in a more competitive market for teachers on the employers part thereby raising the salary level over normal existing and future levels?

Mr. TENNANT. I don't have an objective answer to the question.

Some time ago the total supply of teachers was not enough to meet the demand. Therefore, teachers could move. Presently, for the positions that are available there is a total supply to meet the demand, so we have a surplus right at this time in the existing teachers position.

Mr. CARLSON. I am aware of that. That would invite all of our sympathy. In a case like that, where there is an overabundance of teachers there is no alternative but to go where there is a requirement for more teachers. But my question is directed to the fact there is a possibility that if it is encouraged for teachers, or any other employees, public or private, to leave one teaching area for another it can work a hardship on the employing units, the school unit, and can presumably increase unnecessary costs on the school's part and the teachers resulting in higher unnecessary salaries over and above the normal present and future salaries they are expecting to get.

Mr. TENNANT. I don't believe this would create a war of that sort. I don't believe it would create that type of war. Teachers don't just pick up and leave. They have roots too. Many of them like to go to more challenging places and they do anyway. Now they are restricted from going to more challenging places.

Mr. CARLSON. One of the purposes of profit sharing and pension plans is for the employer to show his good faith the employee by paying fringe benefits to encourage the employee to stay in his employment. It is certainly true with public employees as well as private employees. It is always an advantage to the employing unit, or the school in this particular case, to have not too much of a turnover in the teachers' rolls.

Mr. Ross. Mr. Carlson, there is no question that in the area of pension plans there was a definite tendency to regard a pension as something that was paid to an employee after a period of long and faithful service and to use the pension plan as a means of holding an employee. Increasingly, that concept of pensions is changing with the increased degree of vesting.

In effect, I am saying that after a certain period, maybe 10 or 15 years, depending on the plan, that an employee is entitled to certain credit regardless of his loyalty or anything else and if he goes to work for another employer he is entitled to a pension for those many years of service. But I think that is a more modern concept.

Mr. CARLSON. The concept in industry is that we have vesting, say, of a 10-year period. If you were an employee and leave in 5 years you only take 5 years of the vesting with you and you lose to your fellow employees the balance, which goes into a kind of a pot where they gain and you, as an employee who is leaving, loses.

Mr. Ross. That is the forfeit.

Mr. CARLSON. Thank you.

Mr. DENT. Mr. Bell, any questions?

Mr. BELL. In your answer to the question by Mr. Hawkins, Mr. Ross, do you mean that when a teacher transfers from Mississippi to California he has to pay more into it to make up the difference: is that correct?

Mr. TENNANT. The method of payment, if we are going to use this specific example in Mississippi, is about 5 percent of salary toward retirement benefit. The method of payment in California is 8 percent salary toward retirement benefit. The benefit in California is greater for two reasons: Both the State and the teacher are contributing more; the salaries are higher; and there is no social security for teachers in California and there is in Mississippi.

So this is why a teacher would be paying more. If we are talking about purchase of out-of-State credits, the teacher would be paying more for them because the benefit would be greater. But the Federal Government's share would be the same based on the formula in the bill, so that each State would be treated identically.

Mr. BELL. I am curious about the question of injecting Federal funds. Why not just get the States concerned to vest their pension rights after, say, 5 years?

Mr. TENNANT. As I have mentioned earlier, 70 percent of the States have vesting in 10 years or less and 19 have vesting in 5 or less years. However, this is only a recent development. This doesn't solve the problem for those teachers who were teaching there 10 years ago when vesting was 20 and 30 years and taught 15 and left and had to take their money and had no benefit whatsoever. They can't purchase these credits at all unless they can purchase the out-of-State credit in the provisions of the bill.

So, by lowering the vesting provisions we are protecting the current people, but those people in the past are not protected.

Mr. BELL. Thank you, Mr. Chairman.

Mr. DENT. Thank you, Mr. Bell.

Thank you very kindly for your participation in the hearing and your very frank answers.

STATEMENT OF CARL J. MEGEL, DIRECTOR OF LEGISLATIVE AFFAIRS, AMERICAN FEDERATION OF TEACHERS

Mr. DENT. Our next witness is Mr. Carl Megel, director of legislative affairs of the American Federation of Teachers.

Mr. MEGEL. Thank you, Mr. Chairman and members of the committee. I have a short report and I will just read it.

Mr. Chairman and members of the committee, my name is Carl J. Megel. I am the director of legislation for the American Federation of Teachers, an affiliate of the AFL–CIO, representing more than 250,000 classroom teachers.

I am appearing before this committee in support of H.R. 10216, the Mobile Teachers Retirement Assistance Act.

Since all phases of teacher retirement are of such great concern, the American Federation of Teachers in 1971 commissioned a study to be done by W. William Schmid of Connecticut. The publication entitled "Retirement Systems of the American Teacher," is a pioneer work describing and analyzing teacher retirement systems in the United States.

Mr. Chairman, I have a copy I would like to present, not for inclusion in the record, but for the benefit of the committee because it is a complete document on pension systems of the entire 50 States in the United States.

Mr. DENT. I appreciate it. It would be helpful to the committee if you provided another copy so the minority would have a copy for their study.

Mr. MEGEL. I would be very happy to do that.

The foreword in this publication, written by Senator Hubert H. Humphrey, states: "This survey shows how teachers are unjustly penalized if they move from one retirement system to another and highlights the need for the extension of reciprocity between the various pension systems." In view of our consideration of the Mobile Teachers Retirement Act this statement is highly significant.

Accepting teacher mobility as desirable, an ideal retirement system for teachers would be one in which a teacher would receive credit for the amount of teaching he or she had done, regardless of how many States in which it was done. However, this is not the situation which presently exists. In an attempt to reduce the costs of State retirement systems, legislatures have penalized teachers for moving from one State to another by not giving credit for out-of-State service.

This problem is not limited to a few States. As of 1971, 22 States across the Nation did not grant credit for out-of-State service in the determination of retirement allowance. Under these conditions, a teacher who moved to one of the 22 States giving no credit would lose the benefit of his past work. This could mean a loss of 20 years or more of dedicated service. Even in States which do give credit for out-of-State service, the amount of service that can be purchased usually does not exceed 10 years.

The above figures show that in the great majority of States, teachers become practically "locked in" to the teaching job within the State in which they are teaching even after a number of years of dedicated service. A teacher's loss in dollars and cents would make a transfer practically impossible except for extreme and unusual reasons.

Under present conditions, 14 percent of the States require a teacher to pay not only the employee contributions, but also the employer's contribution with interest. This requirement is true in Arkansas, Florida, Georgia, New Mexico, North Dakota, Pennsylvania, and Texas.

It is likewise difficult to predict how many teachers will lose their retirement benefits in the future. This was a question you were asking minutes ago. Population Estimates, a 1968 publication of the U.S. Census Bureau may give us some idea. It predicts that in the 20-year span from 1965 to 1985, the States that will make the largest gains through migration are California, Florida, Arizona and New Jersey. Two of these States, California and Arizona, give no out-of-State credit to teachers. Thus, in these two States alone, thousands of teachers will lose their retirement benefits, unless steps are taken to prevent such an occurrence.

The proposed act would provide vesting for any teacher who has at least 5 years' teaching experience. Vesting may be defined as a guarantee to the teacher of a right or equity in a pension plan based upon all or part of his accrued retirement benefits should he or his employer terminate employment—it may also have been a termination by the employer that made it necessary—before achieving eligibility for full normal retirement benefits.

The appended table on the last page shows the vesting rights and deferred allowances within the several States. This table is taken out of this publication, Mr. Chairman. This table shows clearly the need for mobile teachers retirement assistance. Three States—Delaware, North Dakota, and Vermont—provide no vesting rights, whereas, 39 additional States require 10 or more years of service for partial or full funding rights.

(The document referred to follows:)

VESTING RIGHT PROVISIONS AND DEFERRED ALLOWANCES

State	At age	With years of service	Earliest age deferred allowance is available
Alabama	55	10	60
	Any	15	60
Alaska	(1)	10	60
Arizona	Any	5	60
Arkansas	Any	20	60
	60	10	60
California	Any	5	55
Colorado	Any	5	65
Connecticut	Any	10	60
Florida	Any	10	55
Georgia	Any	20	60
Hawaii	Any	5	55
Idaho	Any	10	55
Illinois	(2)	[2] 10	60
Indiana	Any	15	50
Iowa	Any	8	55
	55	Any	55
Kansas	Any	10	60
Kentucky	Any	10	60
Louisiana	Any	20	60
	Any	[3] 10	60
Maine	Any	10	60
Maryland	Any	20	60
Massachusetts	Any before 55	20	(4)
	Any	[3] 6	55
Michigan	50	10-25	60
	Any	(5)	60

See footnotes at end of table, p. 42.

VESTING RIGHT PROVISIONS AND DEFERRED ALLOWANCES—Continued

State	At age	With years of service	Earliest age deferred allowance is available
Minnesota	Any	10	55
Mississippi	Any	[5] 16	60
Missouri	Any	20	60
Montana	Any	5	60
Nebraska	Any	5	65
Nevada	Any	20	60
New Hampshire	Any	15	60
New Jersey	Any	15	60
New Mexico	Any	15	60
New York	Any	10	55
North Carolina	Any	12	60
Ohio	Immediate vesting	5	60
		25	55
Oklahoma	Any	20	60
Oregon	Any	5	60
Pennsylvania	Any	10	62
Rhode Island	Any	10	60
South Carolina	Any	15	60
South Dakota	Any	25	62
Tennessee	Any	10	60
Texas	Any	20	60
	Any	10	65
Utah	Any	4	65
Virginia	Any	10	60
Washington	Any	5	[9] 60
West Virginia	Any	20	60
Wisconsin	Immediate vesting		[8] 50
Wyoming	Any	4	60

[1] Attained age and service credit must add to 75.
[2] Benefits after 10 years of service if 1 year after July 1, 1963, and 3 years after reaching age 55.
[3] Conditions qualified.
[4] Immediate or deferred to age 55.
[5] Partial vesting after 16 years' service and full vesting after 20 years.
[6] Over 25.

Note: No provisions for vesting: Delaware, North Dakota, and Vermont.

Mr. MEGEL. That means if I am teaching in one of these States for 9 years I couldn't get any vesting rights whatsoever.

From this table, it becomes clearly evident that a teachers mobility act is sorely needed to correct teacher retirement injustices which now do exist. Thousands of teachers are compelled, for reasons of health, employment advantages, or other reasons to accept available positions in another State. Whatever the reason, they should not be penalized because they fulfill a mobility need. The Mobile Teachers Retirement Act under consideration is a start in the right direction. We support its enactment.

May I, in conclusion, thank the chairman and members of the committee for the opportunity to make this presentation.

Mr. DENT. Your testimony points out the serious problems that the committee faces in trying to write an equitable system——

Mr. MEGEL. That is very true.

Mr. DENT. (continuing). That does what you seem to wish to be done—that is the complete mobility of all teachers in the country, from one State to another, one jurisdiction to another and without the loss of any pension or other fringe benefit rights. Yet, You can hardly do that without some inequities coming into the mobility itself.

Mr. MEGEL. The inequities are here because of the different State pension laws.

Mr. DENT. Would you suggest that perhaps we ought to be studying the possibility of establishing a single nationwide system with the various States participating in it. That would be the only way to achieve complete mobility.

Mr. MEGEL. I think a number of the States, including Illinois of which I am a member, would be very reluctant to voluntarily participate. They have a vesting after 5 years in the Chicago school system. Any teacher who enters Chicago system is entitled to 6 years pension credits for outside experience.

Mr. DENT. The difficulty is that we are asked to write legislation that has no cost estimate. We have given serious consideration to the financial aspects of this measure because there is no set cost that we can anticipate in the future. We will be at the mercy of the different school districts who can raise or lower their retirement benefits, change the conditions of their benefit payments, or make any other change in their system that will automatically increase costs to the Federal Government. It will increase cost to the Government because it will have to subsidize the employers' part of the contribution and out-of-State credits. There is no way that such a cost can be determined.

For instance, in California the cost to the State is 8 percent. It might be 15 percent if they decide that since mobility has come into the picture they could set up a system where they charge 10 percent (like some of the States do for new teachers coming in) or 15 or 20 percent as in Illinois. Illinois, I think, adds up to about 24 or 26 percent.

Any State changing its law, changing its obligation to this fund immediately changes our obligation to the fund.

Mr. MEGEL. That is right.

Mr. DENT. States paying in to the Federal Government will not be getting their share of their tax money returned to their system as against the higher pension States.

Mr. MEGEL. That is one of the problems. A teacher going from Mississippi to Illinois will receive 6 year pension credit. A teacher going from Illinois to Mississippi does so at a reduced salary but will carry 6 years of vested credit.

If all States had vesting like Illinois does, you wouldn't have to worry about mobile pension benefits.

Mr. DENT. That is the point.

Mr. ERLENBORN. Would you yield at that point?

Mr. DENT. Yes.

Mr. ERLENBORN. As I understand the proposal, it requires as a condition for participation, 5 year vesting in the State system; and, as I also understand, if there are vested rights, the teacher who moves into another system does not have the option of buying into the new system that they are moving into.

So, let's take the case of a teacher who works 5 years in Illinois and 5 years in California and 5 years in New York and winds up with 5 years in, let's say, New York where there is a high salary. That teacher is going to get pensions from each one of these systems where vested rights are accrued but each of them will be based on the salary at the time that teacher left the State. Thus the teacher will be getting, say, from Illinois where the first employment was, a very low pension because that will be computed on the salary made when he was a new teacher at an earlier period in history when salaries were lower.

I can see the next step after we do this will be to say that is not fair either. Why should all of these increments be computed at a salary level of 20 or 30 years ago, that is not fair to the retiring teacher?

Mr. MEGEL. But the teacher of whom you speak, going from the States you mention wouldn't be so bad off. The teacher who goes from Mississippi to Arkansas, is the one who is penalized.

Mr. ERLENBORN. I am not talking so much about the States. I am talking about the level of compensation at the time the vested benefits are determined. In the first 5 years of employment the teacher is at a salary level that is low because she is a new teacher. When the teacher retires 40 years later, because of inflation, the salary that the teacher was getting in his first 5 years of employment will be minuscule and the kind of pension she gets will be minuscule compared to what that teacher would have gotten if she spent 40 years in the same system and had all pension credits computed on the basis of say, the last 3 or 5 years of service, the average salary.

Mr. MEGEL. I agree. The teacher leaving a vested system would retain the vesting, but a teacher going from Mississippi to Arkansas could lose 20 years of service.

Mr. ERLENBORN. It seems what is being suggested now is to force all of the pensions to be based on the last 3 or 5 years average salary, not on the salary during the period in which the person was employed in that system.

Mr. DENT. The Federal Government will be the third party paying.

Mr ERLENBORN. That seems to be the only inexhaustible source of revenue.

Mr. DENT. Mr. Brademas.

Mr. BRADEMAS. I just want to thank Mr. Megel, Mr. Chairman, for his testimony. I just have a couple of questions, if I may.

We did consider this proposal in the subcommittee that I chaired in the last Congress as you know, and if you have read the transcript of hearings from last year you will appreciate the enormous difficulty members of the subcommittee had in (*a*) understanding what it was you are proposing, and (*b*) determining what would be the most sensible approach.

What I suggested, Mr. Chairman, last time, I would reiterate today. In an era of visual aids, why can't we persuade our friends in education, who teach children, teach us by bringing in some visual aids that show us how their proposals work. I made that request well over a year ago. I see no charts or graphs which I think, Mr. Chairman, would help us greatly, at least help this simple country boy from Indiana understand what it is you are telling us.

But in addition to that, how do we respond, Mr. Megel, to other classes of public employees who, if Congress were to pass this legislation, would then say, "We move around too."

Mr. MEGEL. I doubt whether any other class of public employees have the mobility that teachers have for this reason—if I am teaching in Chicago and I want to teach somewhere else, I have got to get out of Chicago—I cannot find another teaching job there. If I am a public employee in Chicago at one job, I can get another job somewhere else in the city of Chicago, but I can't do that if I am a teacher. To get another teaching job I have to go downstate; to Indiana; Michigan or somewhere else, so that the very nature of the teacher's job necessitates mobility that other public employees do not have.

Mr. BRADEMAS. I am not unsympathetic with what you say because my mother has been a schoolteacher for about 50 years and she has taught 40 or 45 years in Indiana and then, in order to teach after she was retired from Indiana, she had to cross the State line into Michigan——

Mr. MEGEL. Or lose pension.

Mr. BRADEMAS (continuing). Or lose pension.

Are the subsidies you anticipate providing in the proposal enough to cover the additional costs that would be incurred by the States in expanding pension coverage, and if they are not, how much more Federal money would be needed?

Mr. MEGEL. I couldn't give you a figure. I would imagine that the costs would not be increased very much just by the additional bookkeeping necessary. The Chicago pension system is controlled by three members of the board of education who are appointed by the Board and six teachers who are elected by the teachers. I was privileded to serve on that Board for a number of years and from that experience I would say that costs would be minimal.

Mr. BRADEMAS. Finally, Mr. Megal, as you know, Mr. Dent has been a leader in Congress in considering legislation to do something about the protection of private pension programs and that is a matter of great sensitivity to my district because we had the Studebaker plant which presented the most dramatic example of how workers can suffer when private pension plans are not adequately protected.

Could you give us any judgment on the soundness of the funding of public pension programs as distinguished from the private programs where we have seen such shortcomings?

Mr. MEGEL. The shortcoming in private pension programs result from participants being arbitrarily dropped from the employment at or near retirement age. That is where most of the injustices have occurred. Other injustices arise when plants have moved and haven't taken their employees along.

In existing education pension programs, Illinois is the one that is in the worst shape, because the State has not paid its share to the fund. I don't know exactly how much they owe today.

Mr. ERLENBORN. $250 million was the figure we got from our last research.

Mr. MEGEL. We had the same problem in Chicago. The board of education was not making their payments to the pension board. Today the Chicago pension fund is current. The board of education, pays what it owes. Ohio is another State teachers pension system that is sound. It has full vesting. I think Indiana is sound. California is sound.

Mr. BRADEMAS. I would just ask you one other question. I think Mr. Dent has suggested at the outset the possibility of considering the protection of public pension programs in the same measure, if I don't misrepresent him, with private pension plans. Do you have any reaction to that idea?

Mr. MEGEL. I think it is possible if we can get all the necessary figures. We haven't made that study. It may be desirable to set up a committee to make that study.

However you can figure it this way. Three years ago the average teacher's life was 5 years.

Mr. ERLENBORN. You meant working life.

Mr. MEGEL. Yes. And since we were asking for 5 years of teaching before you give vesting, the number is not as great as you might think because of that fact. Of course, at the present time when jobs are a little more scarce this figure might increase, but in the past 10 or 12 years, the life of a teacher as a working teacher was around 5 years or 5½ at the most.

Mr. DENT. Of course, that has gone way up——

Mr. MEGEL. That has gone up somewhat now.

Mr. DENT. Because of salary schedules.

Mr. MEGEL. But those salary increases Congressman Dent, were in the large cities, Chicago, Detroit, New York, where teacher mobility was less anyway.

Mr. BRADEMAS. Thank you very much, Mr. Megel. Thank you, Mr. Chairman.

Mr. DENT. Mr. Carlson.

Mr. CARLSON. I have no questions.

Mr. DENT. Mr. Bell.

Mr. BELL. Mr. Megel, you pointed out that many States do not give credit for the out-of-State service. I think that is quite understandable today, but why should a State pay and give credit for services to another State? This would add tremendously to the State's retirement cost for services rendered to another State. I can't see how, economically, they could do it.

A major principle we should not lose sight of is to make the employment State pay its share in the retirement.

Mr. MEGEL. If you feel that experience has some value pedagogically and perhaps monetarily, a State who employs a teacher with outside experience should be an improved teacher and the State therefore gains the advantage of improved educational opportunity for the boys and girls that the teacher teaches.

It is an intrinsic value, I can assure you that.

Mr. BELL. Have you explored the possibility of sponsoring a model State retirement law, a uniform law that might be adopted by a large number of States?

Mr. MEGEL. Yes, we have a model teacher tenure bill.

Mr. BELL. Don't misunderstand my question, Mr. Megel, I haven't made a decision on this. I am just asking questions.

That is all, Mr. Chairman.

Mr. DENT. Thank you, Mr. Megel. If there is any further information that you might be able to give us we will be glad to have it.

Mr. MEGEL. I certainly thank you very much for this opportunity.

STATEMENT OF DR. ELIZABETH BERRY, COALITION FOR THE ADVANCEMENT OF THE ROLE OF WOMEN IN THE SOLUTION OF NATIONAL PROBLEMS

Mr. DENT. The next witness is Dr. Elizabeth Berry representing the Coalition for the Advancement of the Role of Women in the Solution of National Problems.

Dr. BERRY. I assume you people do have a copy of my testimony. If I summarize I can be assured that all of you have read this, is that right?

(The document referred to follows:)

TESTIMONY OF DR. ELIZABETH BERRY, CHAIRMAN, COALITION FOR THE ADVANCEMENT OF THE ROLE OF WOMEN IN THE SOLUTION OF EDUCATIONAL PROBLEMS

Although the need for distribution of teaching personnel according to regional needs is important, as stressed in the proposed Mobile Teachers Retirement Act, there are other equally important and perhaps even more compelling reasons for immediate federal legislation that would permit the nation's teachers to change employment across state lines without substantial loss of retirement benefits.

Basically, most teacher retirement systems in this country are grossly unjust. Some states permit no transfer in of retirement credits, some permit a transfer of 5 years; some ten years. At least one state does not permit the withdrawal of any retirement funds for any reason. In states that do permit a transfer in of retirement credits, the transferring teachers must teach in those states a minimum of 5 to 7 years before these transfer credits are applicable in the new retirement systems. Furthermore, if and when a teacher withdraws from a retirement system, he can only withdraw those funds that he himself has contributed. He cannot withdraw funds paid into the retirement system in his behalf from public funds. Thus he loses a major portion of his retirement benefits if he transfers or leaves the profession.

States with a high per capita income usually have better and more flexible retirement systems. This makes it possible for them to attract superior teachers. Since superior teachers and superior schools go hand in hand, it is obvious that the present inequities among teacher retirement systems contribute to the inequality of educational opportunity among the states. Individual states, alone, cannot solve all of the problems that have arisen from once progressive but now obsolete teacher retirement systems. The need for mobile teacher retirement legislation is a federal issue because it involves interstate problems, school systems receiving federal funding, and inequality of educational opportunity. Support for federal legislation to correct present teacher retirement system inequities seems critical if one examines many of the problems that have been created or aggravated by these obsolete retirement schemes.

1. We live in a nation of rapid change. This has caused major population shifts and therefore a need for shifting teacher personnel. But there are other social changes that require a redistribution of educational personnel. These changes relate to new knowledge and emphases in early childhood education, new methodologies in the education of the disadvantaged, the underachiever, the mentally handicapped. Some school systems must now conduct nationwide searches to find experts in these areas to provide them with local leadership. Many school systems must now conduct nationwide recruitment programs to find Black teachers or teachers of a variety of ethnic backgrounds. In recent years, schools have realized the need for a balanced faculty. Higher education institutions that have been found guilty of sex bias may soon find it necessary to conduct nationwide searches for qualified women. To meet these various needs, some teachers must be mobile. Yet present teacher retirement systems prevent or handicap such mobility.

2. It is a recognized fact that American education is not what it ought to be, that it is not meeting the needs of the times. Spokesmen for the Office of Education have repeatedly said that we must reform American education. Any efforts to upgrade education, however, must deal with the problems of changing teachers. This is not easy. There are a number of teachers in this country who cannot change, do not want to change, or do not believe in change. Some of these teachers are trapped in jobs where there is great pressure on them to change. They would be glad to retire if they could do so. But present teacher retirement laws force them to continue teaching, often in situations that are frustrating to themselves, the students, and the community alike. It would contribute to efforts to improve public education in this country if teachers who have taught 25 years or more were given the option of retiring if they wanted to, thus making way for more innovative educators. This could be done if federal legislation allowed them to have credit for the total number of years taught rather than the number of years in the last system. Retirement benefits could be immediate or deferred until the age of 60 or 65.

3. Many teachers have lost enthusiasm for their jobs or would like to change job locations for other good reasons but are frozen in their present jobs because of fear of losing retirement rights. By the age of forty, the average teacher begins

to base job decisions on possible retirement losses or gains. Thus a teacher who is offered a much desired promotion in another state may ultimately decide not to take it because of the loss of accumulated retirement benefits. At the same time, once he makes this decision, he may begin to find fault with his present job for he realizes that he has set a limit on his professional growth. In the long run, this is detrimental to quality education in this country for it favors the teacher who is a conformist as opposed to the creative innovative educator.

The truly gifted teacher may find it necessary to change jobs, change locations, or change teaching levels to provide outlets for his creativeness. He is less willing or perhaps phychologically unable to compromise. Every year, public education in this country loses some of its most gifted teachers for this reason. They find themselves trapped in an unsatisfactory job, find it all but impossible to make the desired job change, and feel it is better in the long run to "get out." As a matter of fact, the whole notion of tenure in teaching has changed in recent years. A few years back, school systems praised the teacher who had taught for 40 years in the same first grade classroom, or the man who had been principal of the same school for 25 years. New research has shown that this is not always desirable. For many people, ten years in the same job is the maximum time that they can sustain their enthusiasm. After that period, they may no longer have the fresh insights and objectivity needed to deal with the problems. In other words, they have given the job "all that they have." Increasingly, college presidents are setting a maximum of time in a given job, usually five to ten years. A change of jobs may be the thing that many teachers need for self renewal. For some, this may mean change within the system, for some it may mean a change within the state, but for others it may imply the need for a geographic relocation.

4. Women are special victims of rigid, inflexible teacher retirement systems, for their life styles are different from those of men, and present retirement systems have not taken this into account. Many married women teach a while, marry and withdraw from teaching during their child bearing years, then return to teaching. When their husband's work requires a geographic relocation, they must find a new job. Many married women wind up with 25 or more years of teaching experience but almost no retirement benefits. Since the life expectancy for women is longer than that of men, many married women reach retirement as widows with insufficient retirement income. Others are divorced and must depend entirely upon their own earned retirement benefits. Under present retirement systems, they often reach compulsory retirement age worse off financially than married women and widows.

In higher education, professional women have found it hard to secure and hold teaching positions because of discrimination. Women teachers who are fortunate enough to have found positions in colleges or universities are most often employed in the low paying and low ranking untenured positions. If the college closes, as some of them have, or if college programs are curtailed for financial reasons, these women are the first to go. Over half of the professional women employed in higher education are single. They must work for a living. They are severely handicapped if they cannot maintain or transfer their retirement benefits, for research shows that academic women are not as a group occupationally mobile. In other words, it is not easy for them to get another job if they lose the one they have. Furthermore, research shows that the more brilliant and capable the woman, the greater the discrimination she faces in higher education employment. Denying academic women earned retirement rights only aggravates the problem.

5. Some teachers must change climates for health reasons. These are individuals who are particularly in need of retaining retirement and disability benefits; yet they often lose them at the time of their greatest need. They must either continue working in a teaching position and climate that undermines their health, or give up retirement rights to take a position in a new geographic area where they worry about the possibility of permanent disability before they become eligible for disability benefits under the new retirement system. Either way, the mental health of these unfortunate teachers is adversely affected and it is bound to affect their classroom performance.

6. There are some states that maintain several retirement systems: one for elementary, secondary, and community college teachers; another for four year college teachers; and still another for university personnel. In some states, these various systems are not interchangeable, thus preventing teacher mobility between educational levels.

7. We are presently in a period of time when there is an oversupply of teachers. In other words, there are more teachers than there are teaching jobs. Recent college graduates are finding it difficult to secure jobs, and many experienced teachers

have been displaced because of curricular changes, budget tightening, or shifting populations. Although the federal government has offered assistance to displaced aerospace workers, scientists, and engineers, nothing is being done to help displaced teachers. Many of these teachers have spent 20 to 25 years in the teaching profession. Now they find themselves without jobs and no significant accumulated retirement benefits because of job changes. If they leave the profession to take a job in some other occupation, they can salvage none of their earned retirement benefits. If they find a teaching job in another state, they may lose many of these benefits anyway. With 6 percent of the population unemployed and about 15,000,000 Americans on the welfare rolls, steps should be taken to keep teachers off the welfare and unemployment rolls. Right now, displaced professionals are rarely included in the 6% unemployment figure, for they do not seek employment assistance through public agencies. There are Ph. D.'s in this country who have been unemployed for over a year. This is a tragedy. This country does not have too many Ph. D.'s, rather it does not know how to use talent, and does not have a sufficient recognition of the critical need for it.

To illustrate the seriousness of the teacher retirement mess in America, the following cases are given. They are only a few of the many known to the author of this report.

1. The author of this report began her teaching career at the age of 18, taught 9 years in public schools in Missouri, then 8 years in New Mexico. After taking off 2 years to complete a Ph. D. and write a book, she returned to Missouri to take a position at the Junior College of Kansas City, Missouri. Although Kansas City has a different teacher retirement system than the state of Missouri, she was told that they were interchangeable. Eventually, she found out that they were not. After 7 years at the Junior College and therefore 7 years in the Kansas City retirement system, she found herself faced with another problem. The Junior College was closed and an area college with a different board of trustees was established in its place. The area college was on the Missouri public school retirement system. She had no alternative but to transfer to the area college or find another job. She transferred. Although she could maintain her retirement credits in the Kansas City system as long as she remained in the state system, they were not in fact interchangeable. Furthermore, in order for her to get credit for her 9 years in the state system at the beginning of her career, she must now be employed seven years more. No reinstatement credit could be allowed for the 7 years in the Kansas City system. The new community college from its inception became embroiled in serious community-trustees-administration-faculty conflicts that continue to this very day, and which led to court actions that were taken all the way to the United States Supreme Court and won there by community citizens opposed to the college trustees' policies and actions. The community college was an unsatisfactory place of employment for this author, who has a Ph. D., has written two professional books, and is a nationally known educator; so after 4 years with the new college, she resigned to seek employment elsewhere. After 20 years in employment in the public schools of Missouri, she had no retirement benefits to serve an immediate or future need because of the nature of the two retirement systems and their rules and regulations. She first considered seeking employment in one of the 5 year state colleges or the university, but soon discovered that each of these units of higher education had its own retirement system, and neither of them were interchangeable with the state system or the Kansas City system. Nor were they interchangeable with each other.

Missouri has at least 6 different retirement systems for teachers that are operational within the state, and since they are not interchangeable, professional mobility is all but impossible. Furthermore, the 8 years the author spent in New Mexico are probably lost, for the state does not permit withdrawal of any of these funds, and the author has no intention of returning there. Thus after 28 years in education, this author has accumulated nothing toward retirement except her own private saving and investing plan. She took a position in an Eastern university, but that position was terminated after a year due to budgetary cuts. She is now unemployed. (She has not withdrawn any of her own contributions to the above mentioned Missouri retirement systems, as she hopes to see if she can salvage something from it.)

2. A woman teacher taught 8 years in Illinois, then took a job in the Southwest. She *had* to withdraw her contributions to the Illinois Retirement system. She taught 1 year in Arizona and 10 years in New Mexico. (She remained for 11 years in the Southwest because her husband was asthmatic.) She was then divorced, quit her teaching job, and returned to a university for her MA degree, and followed that up by transferring to an Eastern university for work toward a

doctorate. During her doctoral studies, which were undertaken on a part time basis, she taught 4 years in New York and one year in New Jersey. By this time, she had spent 24 years in education, but had no viable retirement benefits because of job changes for obvious and good reasons.

As she had changed from one teaching job to another, she had been forced to withdraw her own contributions to the various retirement plans, except in New Mexico, which did not permit withdrawal. In all of the other cases, she had insufficient employment time to leave her contributions in and retain benefits. Furthermore, even though she was forced to withdraw her own contributions, she could not withdraw the contributions paid from public funds in her behalf. She does have vested retirement rights in New Mexico, but in order to collect anything from that retirement system, she would have to return to the state and teach for 7 years. She did consider returning to New Mexico but could find no position that made use of her advanced studies in teaching and curriculum supervision. So for all practical purposes, she has lost her New Mexico retirement benefits too. At this point in time, she made an assessment of her financial and job possibilities in education. The outlook was dim, so she took a position in publishing. She has been in the publishing industry for 8 years working in the area of curriculum materials and reading programs. She is now covered by social security, which, of course, is not reciprocal with the teacher retirement systems. After 32 years of employment, and at an age when many conforming people have completed a retirement benefits plan, she is just beginning.

3. A teacher taught 21 years in primary education in the state of Michigan. She then took a leave of absence to complete a doctorate in an Eastern university. She decided to remain in the East after studying part time for 6 years while teaching in low paying jobs, in a combination of activities aimed at financing the doctoral studies. Upon completion of the doctorate, she took a permanent job in the university in the East, where she had held tentative one year assignments. She has been in her present position for 6 years and has that many years in her present retirement system. She left her contributions in the Michigan retirement system, hoping to salvage something from them, but it is probable that she would have to go back there and teach in order to collect any benefits. At the same time, she needs to spend the rest of her teaching years in her present system in order to build up retirement there. She is presently caught in between two retirement systems. She has greater accumulated benefits in Michigan, but prefers her present job. She would consider moving to a drier climate, if all of these retirement systems inequities could be resolved, and her earned benefits salvaged. (She has developed atropic rhinitis.)

4. A woman teacher began her teaching career in 1937 at the age of 16. She taught 6 years in a rural school in Missouri, at a time when Missouri had no retirement system. She next taught in Kansas City, Missouri, which has its own teacher retirement system. She taught there for twenty years, during which time she completed two years of graduate studies in summer sessions. In 1946, Missouri established a state teachers retirement system, and teachers then in service were given credit for prior teaching experience. Although some elements of the Kansas City and Missouri retirement systems are supposed to be interchangeable, the Kansas City system did not acknowledge her prior teaching service. After twenty years in the Kansas City school system, she took a position in a state university in the upper Midwest. She could salvage little of her accrued retirement benefits of the first 26 years of teaching. She withdrew her own contributions to the Kansas City retirement system, but this only amounted to about $3,000; she lost all money paid into the retirement system on her behalf from private funds. She has been in the last mentioned position for 6 years, and is now covered by TIAA, a private retirement system for teachers. It is a good retirement system, but has one fault. It can be retained if one changes positions to another school covered by TIAA. If one changes to a school not covered by TIAA, then the accumulated funds must be withdrawn.

5. A woman teacher taught 18 years in an Eastern state. Her husband was transferred to California, so she then sought and found a teaching job there. After three years in California, she and her husband divorced. She remained in the same teaching job. At the end of five years of teaching, she was in a car accident and permanently disabled. Since California permitted no transfer in of retirement benefits, she had to base her disability retirement on only five years of teaching service. She sold her home and used the money to go to Arizona, where she felt her health might improve sufficiently for her to find some way to make a living. She is in a wheel chair and that will not be easy. Nevertheless, she has little choice. Her disability retirement pay is not enough. She must find a way to supplement her retirement income or accept state welfare.

The above illustrations are only a few of many known to this writer. There is critical need for federal legislation that would correct present teacher retirement inequities in the fifty states. Ideally, corrective legislation should make it possible for teachers to be free to locate in those areas and jobs most compatible with their own personal and professional needs, while retaining all retirement benefits. It should also make possible the retention of retirement benefits in changes from public to private teacher retirement plans, and the reverse. Since this is a federal problem for reasons stated on page one of this testimony, any legislation should make it possible for teachers to salvage most of their prior losses.

Dr. BERRY. As I listen to you people discuss questions, and I hope that you will ask me some of these questions because I have some different answers for you on at least part of them, it seemed to me, and I think I can understand it, that you are very much concerned with the economics of the problem here.

During this past year, I was in Europe visiting educational school systems there. One of the questions that was asked me at many universities and public schools in Europe, especially in England and the Netherlands, was how it was that we in the United States could not afford to do what we should do in terms of public education. This is a hard thing for Europeans to understand.

Last year about 600 college teachers in the United States went to England to work because they couldn't get work here. Most of these people were near or had the doctor's degree.

I think it highlights some of the issues that I wish to bring out today because I think the need for mobile teachers retirement legislation is so great that we can't become bogged down in the economics of it. We have to solve the problem. I believe furthermore that it is a Federal problem because it involves interstate problems, it involves school systems that are receiving Federal funding, and because it involves equality of educational opportunity.

I would like to go through the six or seven points that I have raised in my testimony that are significant in your decisions to promote this legislation. The first point has to do with the era of rapid change in which we live. This has caused major shifts in population. It has caused shifts in teaching personnel. But there are also other social and educational reasons why we need to redistribute the educational personnel.

These changes related to new knowledge and emphasis in early childhood education, new methodologies in the education of the disadvantaged, the under achiever, and the mentally handicapped. A number of school systems are now conducting nationwide searches to find black teachers in order to provide a balanced faculty.

For example, the State of California—and I have been in higher education most recently—employs an individual on almost every campus of its university and State college systems to recruit certain faculty personnel.

In fact, a man from the California State College System interviewed me this spring in New York because those colleges are looking for people of certain ethnic backgrounds, they are looking for blacks, and they are looking for women.

There are new needs in education, not just in terms of the shifting population that requires more sixth grade teachers here and fewer there. New knowledge in education and a better understanding of social conditions have made us realize that we need balanced faculties.

The second point has to do with the fact that the U.S. Office of Education is concerned about the quality of education. I am sure many

of you people have talked about it and you have voted on bills that had to do with improving American education. My field of graduate studies has been in the study of counseling and guidance which is related to mental health.

One of the most important things we have to be concerned with if we are talking about improving education is what goes on in the classroom and this often involves changing teachers. If you have ever had any experience in one way or another in changing people, you know what a serious problem it is.

By the way, this problem is also going on in England where they have introduced the new methods of infant schools and open classrooms, and English educators are finding that they too have that problem, finding teachers who can use these new methods.

The problem of changing teachers is not easy. Many teachers don't want to change; some teachers psychologically cannot change; and others simply do not believe in change.

Now I think in our country we can tolerate some differences in methodology, and I think a good traditional teacher has a place. We have a need for some really good traditional teachers. But, by the same token, I don't think we need people in the classrooms who are really tired of teaching and are being forced to try to change when they don't want to change. And the net result is that they do not change: they sort of band together to resist change.

Many of these teachers could retire if they could have credit for their years of service. I have talked with many teachers who would be glad to retire. They feel they really can't cope with the situation today, especially in the large cities. They would rather turn it over to some younger teachers who have the energy to cope with ghetto city classrooms, where large numbers of students are on hard drugs, but they can't get out of it. They are trapped in their present jobs. About all they can do is continue teaching, try to get along as best they can until they are 65.

And even then, if they retire, many of them won't have good retirement benefits because they have changed several times in teaching jobs from State to State, city to county, and so on.

A third point is very dear to me. It has to do with the mental health aspect of this thing we are talking about. Many teachers have lost enthusiasm for their jobs, or they would like to change job locations for other good reasons, but they are frozen in their present jobs for fear of losing retirement rights.

At the age of 40 in this country most teachers have real fears about changing jobs because of losing retirement rights. Thus, a teacher who is offered a promotion in another State may turn it down because he gets to thinking about it and he says, "I have taught 15 years in the State and I have 15 years of retirement rights. In 30 years, or 15 more, I will have a certain pension coming to me. I can't afford to jeopardize that."

But the minute he makes that decision, and I have seen this time and time again, he becomes frustrated because he has turned down a chance for advancement. He is no longer happy with his present job. He starts finding fault with the present job. Then he goes from that situation to the fact that he often justifies it by pretending he doesn't care. Perhaps he admits he really doesn't like his present work situa-

tion. He says to other teachers, and they perhaps agree to some extent, "I just come to my classroom, I do my work, and go home. I don't argue with anybody. I have too much invested here to stir up any trouble."

If you take this argument a little further, what happens? What kind of a person can conform to something he truly isn't happy with, a teaching situation that he doesn't have confidence in? It is certainly not the person with a lot of ability. It tends to be the mediocre person who is willing to say "I will settle for this and spend the rest of my life at this. I will try to get along."

The truly gifted and innovative teachers, the ones that we need right now, are driven out of the profession every year. They go so far, and then they see no opportunity. They see themselves trapped in retirement systems, and after they have moved a time or so, they decide they can do better by getting out.

The whole notion of teacher tenure has changed in recent years. I am sure you have heard college presidents, Kingman Brewster at Yale, and Goheen who just left Princeton to speak on this issue. McGill at Columbia has said that 5 years as a college president in a particular college is enough for most people in that job. They have given it all they have. The energy, the enthusiasm it takes, the objectivity to look at the situation, examine it, and understand it may be gone after 5 years. Most educators feel 10 years is the maximum in a college presidency.

A change of jobs is the thing that many teachers need for self-renewal. I think we can no longer say that 30 years in one State, 30 years in one job is a wonderful thing, and set this up as a model. Many people need the change in jobs for self-renewal because when they get to a new situation they have to start all over again. They have to win the respect of the patrons, the school or college community. They have to win the confidence of the principal and their colleagues. For some people this change may mean a change within the State. For some it may mean a geographic relocation.

But the main point I want to mention here is that present teacher retirement laws adversely affect the quality of teachers we are getting as well as their mental health, and these two factors affect to a great extent what teachers are going to do in the classroom.

The fourth point I want to make is that women are special victims of the present retirement systems, for their life styles are different. Many women marry, and they teach a while. They may teach until the first child comes. Then they drop out of teaching for a while, maybe for 10 years or 15. They may decide later to go back to teaching. When they go back to teaching they will have to reestablish themselves. If their husband makes major job changes, especially if his company transfers him to another part of the country, they are going to have to change teaching locations as their husband changes job locations.

When the AFT official gave the figure that the average teaching life of an individual in this country a few years back was 5 years, that was partly because many of these teachers were women who taught a few years, married and quit. And many men also taught a few years and got out because the economic picture looked bad and besides the teaching is not easy these days, especially in big cities. That is why you have

that low figure of 5. It might be 6, 7, or 8 years now, but there are still large numbers who leave the profession each year permanently.

But, in the particular case of the married woman, there is a problem of her life style. Even single women this affects because the average single woman may feel she is going to marry. When she starts teaching she may not seriously think of herself teaching 20 years from now. She may wind up doing that, but when she is 22 or 23 she may think in terms of teaching only a few years. She may expect to marry and leave the teaching profession for a while, and maybe permanently.

Many of the teachers you are talking about here are women. The whole life pattern of women is different. Women don't always know what they can do or what to do at the next step. There is no way for them to know. Furthermore, it is a known fact that married women live longer, on the average, than their husbands. When they reach retirement age, they may not have enough to live on, especially if they have been teaching a number of years but have been denied retirement benefits because of making a number of moves that were based upon their husband's job shifts. Divorced women are often in even worse shape because they might not have a social security widow's retirement to live on.

In higher education it is especially difficult, and that is where I have been. There are many, many more women qualified to work in higher education than are employed because we simply haven't been able to get the jobs.

Mr. DENT. Pardon me, at that point. It is my understanding that in higher education there is a pension plan with complete portability.

Dr. BERRY. Not to all the institutions.

Mr. DENT. I understand that it is open to all teachers and it is a college teachers' retirement system. One buys credits regardless of where one works. Are there two systems that you're talking about? A State one and a private one?

Dr. BERRY. I am talking broadly about two retirement systems in higher education that most teachers belong to. They either have some kind of retirement with their State system or they are on TIAA. Now in TIAA, which is a very good private plan, if you should leave your job it works this way. For instance, I have a friend at the University of Michigan. She is on TIAA. She was offered another job in another university which was not on TIAA. It had its own State university pension plan. Now if she goes from her present university to the other one, she can take out her benefits from TIAA, but this does not mean she can buy in to the next university's State plan.

Mr. DENT. Or she can leave them?

Dr. BERRY. I am not sure she can leave them. Maybe they have changed that. A few years back, when a friend of mine, the president of a university left, he had to take his out. If that has changed, then it has been in recent years. I don't know.

I think it may not be clear but my fifth point is that the people in higher education are victims of this; they do not have a single mobile retirement plan. I was at the city University of New York for 1 year and then there was a budget problem there, and I didn't have tenure. I was new. I was needed for what I was doing when they employed me, but was dropped because of the budget crisis. College teachers often have to cross State lines to find jobs, for advancement, or when they are displaced.

Mr. DENT. You see the problem of complete mobility as suggested by you, at any time and any place. The problem then becomes one that does enter into economics and while it is an old-fashioned thought, we do have to think sometime along the line about the economics of the country, the same as you are thinking about the economics of the individual. We are entrusted with thinking about the economics of the State itself which, in turn, must, somewhere along the line, be solvent enough to see that your economic well-being is taken care of.

In a completely mobile plan that you describe when you teach 1 year here, 2 years here, 5 there, you are never vested. The Federal Government has in effect become the employer, insofar as the pension system is concerned. By buying into the various systems, it would pick up the check.

Dr. BERRY. I can see your point and while I would say that I believe that the idea of teachers getting credit for all of their time is the most valid approach to this, I also see that there are problems in that.

When the State of Missouri first put in the retirement system, which is one of the poor retirement systems of this country. I said that teachers would be better off under social security if one thought in terms of the students and the mental health of the situation.

Mr. DENT. Don't you also have social security in various States?

Dr. BERRY. In some you do and in some you don't. In the State of Missouri I didn't have.

I made two statements on this issue in Missouri. I thought, myself, having come from a State where the salaries are low and the benefits are low, that we would have been better off under social security because then we could have freed ourselves from thinking about retirement and could concentrate on our work.

And the second thing I said was that if we did not have social security or something that was permanent, when we lost our benefits we should automatically be transferred into social security. But I think at this point in time I can't give you the answer to the most desirable legislation because I don't have the money to study all the figures. But I think in a country as rich as we are, if our priorities are right, we can find the answers to these problems. I don't think we can say we can't answer them.

Mr. DENT. We have put in another $100,000 in a study we are making, and they haven't come up with too many answers yet.

Dr. BERRY. I think part of the problem has to do with the profession itself. I feel that for the most part——

Mr. DENT. They should have the information.

Dr. BERRY. If those people who have the opportunity to do it and the money and resources to work on these things don't do it, I think, in the interest of public education, the Government has to take it into its own hands and try to find the answer.

Mr. DENT. We are trying. We have a task force working on it.

Dr. BERRY. I know you are; that is why I am here.

Mr. DENT. Some say it is underfinanced, but we are doing the best we can with what the Congress gave us. We are continuing to work.

Dr. BERRY. It isn't just myself. This problem involves young people and it involves what is needed today. The teacher's mental health, the conditions under which he works, his own needs pro-

fessionally and personally do affect his work in the classroom. We are in need of improving education in this country. I just feel this problem has to be solved.

If teachers organizations can't come up with the right kinds of solutions, I think Congress has to find its own and get it done.

I went to New Mexico and taught for 7 years for health reasons and from which I recovered. New Mexico first made me aware of the seriousness of the loss of retirement and health benefits. New Mexico was full of people like myself at that time, and such people are still going into the Southwest. This is why those States don't like to have too many retirement credits being transferred in because it is a great financial burden.

The Southwestern States have so many teachers coming for health reasons, and they are kind enough to take them if they have no contagious disease. Many come for arithritis, sinus trouble, or asthma. They get some excellent teachers that way. But New Mexico, as an example, is not a rich State by any means.

To give you an idea of what I saw going on, a fellow quit his job in Arkansas, gave up entirely after 8 years. He had throat trouble. He went to New Mexico, was hired in good faith. He died a year later of cancer of the throat, which had not been diagnosed in Arkansas, and the Albuquerque public school system had to bury him because the board felt something had to be done. He had come in good faith. He had lost all his retirement benefits in Arkansas, and his family had nothing.

In New Mexico, Arizona, and California, I could give you dozens of cases of tragic situations like this, of teachers who had nothing at all to fall back on, and some had to accept welfare, even though they might have taught 20 or 25 years.

The sixth point I mentioned is that a lot of the States have several retirement systems going on within the State. When I first taught in Missouri, I was on the Missouri retirement system, the State plan. I went to New Mexico and was on the New Mexico State plan. I came back to Missouri to the Junior College of Kansas City, which was on the Kansas City plan. I was told the Missouri and Kansas City plans were reciprocal, but they really weren't.

Then, our college was closed and a community college was created in its place. The faculty members were permitted either to stay in the Kansas City public schools or go to the area community college. I had been working in higher education so I went to the area community college. It was on the State retirement system. Now, I had been in the Missouri State system, then I got into the Kansas City system which was a different system, and then I went back into the Missouri State system. In all, I have got 20 years of retirement credit in Missouri, but I haven't got anything. After 9 years in the Missouri system and seven in the Kansas City system, I was told when I went back into the Missouri system and spent 4 years, that I could get credit for the earlier 9 years only after I had spent 7 years back in the Missouri State system.

I was told I could keep the Kansas City benefits but that they are separate and do not count on the State plan, which requires 20 years for vesting. For a person in higher education and moving around, that is a mess. I don't know. I left the money in these various retirement systems, but I don't know what is going to happen to it.

But it is wrong. I use myself as an example to show you what happens in a State that has four or five different retirement systems. The community college in Kansas City became bogged down in such serious problems that they have gone all the way to the U.S. Supreme Court. I really couldn't do my work there under the terrible conditions, the bickering, and the rivalry that was going on. I considered going to a Missouri State college or university, but they are on two other different retirement systems, so there was no point in staying in Missouri.

If I had gone to Central Missouri State College, I would have been in a third retirement system. If I had gone to the University of Missouri, that is still another one. The State of Missouri has seven or eight retirement systems for teachers; and in order to get from one of these to the other you lose benefits. Some of them are not interchangeable at all. You people may not really have enough case studies to know how this thing works.

The seventh point I have mentioned has to do with unemployment in this country, and unemployment means that people have to be mobile. I think that we have several factors here. We ought to, somehow or other, let a lot of these teachers retire who want to, who are desperately unhappy with their situations, and are getting old enough to retire. Then we could bring in people who really want to work on the problems of education.

Furthermore, we say we have too many people with doctor's degrees, and that couldn't possibly be true. We just don't know how to use talent. It is just part of the problem of education. We do not know how to use high-level talent in this country.

I have included here some case studies. They are teachers I can identify, and I will be glad to furnish you the names. They would be glad to talk with you.

A friend of mine left Kansas City after 20 years in the Kansas City system and 7 years in the State system, to teach in the University of Michigan. She started teaching, I think, when she was 16 or 17. By the age of 50 she got this chance to go to the University of Michigan, one of the most prestigious universities in this country. She had exactly $3,000 to take out of the Kansas City retirement system. She had to take it. After 27 years, she had $3,000 toward retirement, which would be $180 a year if you invested at 6 percent and had to live on it. That is not much for 27 years.

And many of these teachers that I know have spent a lot of their own earnings, as I am doing now, to improve education. I am not presently employed, for positions for women in higher education are not easy to get, and you probably know that. The profession is trying to open up jobs; still, it is not very fast. It is not very real at this point.

I have spent a lot of my own money furthering education. I am right here at my own expense talking to you, and I hope you appreciate it, because it is a $75 or $80 expense for me to come down here and talk to you. Nevertheless, I believe enough in this to think that something ought to be done.

I represent a coalition of women who are really interested in working on some national problems. We are not just arguing a lot of feminine problems. We are arguing the national problems. They do affect us, and we want to have a hand in solving them.

Mr. DENT. Your testimony is very much appreciated. Your appearance here is very much appreciated. We will give attention to your testimony in our task force because it is a problem we are concerned with. We have been concerned with it a long time.

It has its parallel considerations with the problem of all workers in the country in private and public enterprise. The problem has become increasingly more acute over the last years due to the shift in the corporate entity in this country and its makeup.

The individual small plant that sustained a community is fast leaving the scene, just as the farm communities died and corporate-type farms are coming into existence. National corporations and conglomerates are narrowing the form of employment to large urban centers. The rural areas are dying off.

Chain and big shopping malls are destroying Main Streets and most of the small communities in our State. I imagine it is the same in any State. And our schools are, of course, consolidating, and teachers now have to travel substantial distances to get to their jobs. There are a lot of things that go into the study and the consideration of this type of legislation because we are anticipating a permanent liability, as it were, for the Federal Government. It is an area that has not been entered into since the Federal Government thought it was doing its share toward the well-being of retirees when it instituted the social security laws.

It was intended to make it possible for a person to move from one area to another. At that time, there were very few private pension systems in the country. Now we have about 50 million persons covered by the private pension system. It has almost become a parallel to the social security. The only difference is that under social security, every person who lives to the age of retirement, or is injured and receives a disability benefit because of health conditions, will receive a pension.

Under the private system, about one out of 10 receive a pension. Consequently, the problem inherent in this legislation on mobility is probably the most serious problem we have in our studies on private pension systems. If we can resolve that, we may find the solution to this. Additionally, if we resolve this, we may have the solution for the other. That is why we are opening hearings on this legislation, in order to try to combine the knowledge that we get from both sides, private pension systems and the public system and the schoolteachers, which is a group we can measure. It is something definite, and with enough information, we may be able to come up with some answers that, while not entirely solving the problem for us, it will hopefully provide enough knowledge to start to resolve that greater problem of national worker mobility.

This Nation has become a mobile nation. In fact, it may interest you to know that because of that and other economic reasons, 42 percent of all the homes purchased last year in the United States were of the mobile-type home. That is a sad commentary that we are moving into the kind of homes that we used to think were low-grade housing in foreign countries. Now it has become our type of living.

Dr. BERRY. I think that basic here is the fact that it is hard for a nation to rise above the quality of its educational program.

Mr. DENT. That is no fault of Government, because we have allowed the educators to create the educational system. We have only provided money.

I have been a legislator 43 years, and I can't remember one legislative session where we did anything but what the educators asked us to do. We have never imposed our own rules, regulations, or criteria to the educational system except in rare circumstances where some States had not reached what we thought were even minimum educational requirements. Other than that, we've just poured the money in.

Dr. BERRY. Have you seen the recent study that came out last fall that the U.S. Office of Education Commission——

Mr. DENT. I can only say to you that I have seen so many studies in 40 years that if I never see another one, I will learn more.

Dr. BERRY. I think you would learn something from that one. It has to do with the——

Mr. DENT. Another set of researchers will write another study to prove that one wrong. This is our problem. So much of our money is going into research. That research is not valuable anymore.

Dr. BERRY. The study of the U.S. Office shows that the research it has been paying for is, for the most part, poor.

Mr. DENT. I said it very plainly.

Dr. BERRY. I am telling you that here I am——

Mr. DENT. We want you and other persons like you to give us the benefit of thinking on the matter. The problems are more of a nature that legislators have to handle with knowledge that they get from individuals, associations, groups—the NEA has been very valuable to us in their studies and in their statistics that they give us.

But educators are to blame and not the Congress and legislators if we have a poor educational system. I am very serious about it.

Dr. BERRY. I think what I am saying to you is you may be right, but you cannot let this thing go on. There comes a point where you have a responsibility. If what you say is true, and it may be, then Congress has to take matters into its own hands because the young people of this country are suffering.

Mr. DENT. We are not doing that. There are more educators in government today in a higher position than there are in education. Some of your best educators now work for the government.

Dr. BERRY. I don't know. I have been trying to get into a position for 2 years to influence things in this country because I think education needs improvement and it is not easy. I haven't found the spot where I can make my contribution.

Mr. DENT. We devote the greater part of our deliberations and time on the Education and Labor Committee to matters of education and much less a part of our time to the problems of labor. I am very happy that in this legislation, up till this point, everybody has agreed that we have got to do something about the mobility of teachers' pensions, but we haven't heard opposition yet.

I anticipate some opposition because otherwise it will be the first bill in my lifetime that didn't have some opposition somewhere along the line.

Dr. BERRY. I think the status in terms of people in education really getting busy and solving problems is highlighted by the fact that this mobile teacher retirement issue has never been pursued to the

courts to see if there is any legitimate ground to say that the Federal Government is neglecting or has something to do with solving this problem.

I am surprised that the University of California is recruiting ethnic, women, and black teachers nationwide to go across the country to teach and lose their retirement benefits. But the recruits often go because they feel they are needed, and they are, to get balance. Sometimes States have solved this problem in a different way.

There is one case I know of at the State University of New York; by paying someone $30,000 a year in salary it sort of makes up for loss of other things.

I think there are many ramifications of this teacher retirement problem now that didn't exist 15 years ago.

Mr. DENT. That is right.

Dr. BERRY. I think also you should know retirement in higher education is not mobile as you suggest. It is not that simple. I have been in it. We are not covered completely no matter what we do. Retirementwise, we are worse off than public school teachers.

Mr. DENT. It is not very simple legislatively either.

Dr. BERRY. This is one of the problems.

If I find another job, I would like to get on TIAA, but once I get on TIAA I would have to transfer to another college that has TIAA to maintain full benefits.

The main thing involves the use of talents. I am not moving around for fun. I am moving around because I would like to be where I am needed and feel I can do something that needs to be done at that time. Besides, women have to work wherever they can get a job.

Mr. DENT. I understand that. The difference between public education and the Congress of the United States is that we don't want to be moved. We actually go out and fight for it every 2 years. Somehow or other there is a difference. I don't know why you can't be happy in it like we are.

Dr. BERRY. Your work situation is different. Besides, you have an expense account, one that enables you to get around the country and see what is going on. You have ways at your command to help keep you abreast of things.

Mr. DENT. The reason we go around the country is to accommodate persons like you who cannot afford to come here; so we can get the information at the grassroots from the individuals who have information that we want and not put them to the expense of coming down here. It is easier for us to take the committee somewhere.

I think you could have had an opportunity to testify in New York.

I suggest to you, in the future, that if you want to appear before any committee in the Congress, you might write to them and tell them you would like to appear and to notify you if they are going to have a task force or committee meeting within some area near you.

We had a task force in New York about 6 or 8 months ago.

Dr. BERRY. I was in Europe then. I am one of those people in education who use my own assets if necessary to further my work. I have set up money for my own retirement in case I lose anything, but I don't think this is the way to have to do it.

Mr. DENT. Have you ever worked in any States where you qualified for social security benefits?

Dr. BERRY. In Kansas City. The Kansas City Retirement Plan was a combination of social security and the other. That was for 7 years.

Mr. DENT. Is there an offset to it? Would you get the full benefits under social security if and when you retire?

Dr. BERRY. I don't know. It was just 7 years.

Mr. DENT. I will tell you something. As an educator you had better educate yourself as to what you are doing in your pension plan. It is the most important thing for you to learn.

Dr. BERRY. I think it is important, but I also don't want to live just looking forward to and planning for retirement. I do know this. I have sufficient time in social security that I can qualify for the minimum. In addition to 7 years in Missouri, I was on social security a year at the City University of New York. I might have $75 a month coming to me when I am 65.

Mr. DENT. If you get that real quick it will be worth something.

Dr. BERRY. I have many years to go, but it is better than nothing. Nevertheless, I am not just speaking for myself, I have seen many other people in a similar position who were not fortunate enough to have done some writing, consulting, and other work, and who have not saved money as I have.

Mr. DENT. The big issue in education when I first was in the legislative field was tenure, teachers' tenure.

Dr. BERRY. That is wrong.

Mr. DENT. It wasn't wrong then.

Dr. BERRY. All of these teacher retirement systems, when they went in, were really progressive thinking for their time, but like many things in this country, they are outmoded and I don't think we, as a country, can ignore this. Education is too important. Even if we have to defer something else I think we have got to do what we can to improve education. It takes more than just giving money for classrooms and more teachers. We have got to improve the quality of teaching and it is all related to this.

Mr. DENT. We have put up money for that too. The Government has put up money for ——

Dr. BERRY. I think the problem we are concerned with is really the problem contained in the Office of Education report I referred to earlier. The Office of Education had a study made of the status of educational research. It showed that much of the research in education is poor; 40 percent is incompetent or substandard.

But it also showed in that study the kinds of people who have moved ahead in higher positions in education. Those people who did outstanding research tended not to move ahead much. It is that middle group, the mediocre person doing mediocre research who seems to have the opportunity to move ahead. I think this is interesting. You ought to read the study.

Mr. DENT. I am afraid you have confirmed some of the suspicions of some of my colleagues.

Dr. BERRY. I think you see what really happens, the really good people in education are discouraged. We can't allow this to go on. We can't expect everybody in education to be outstanding, but we must not discourage the outstanding and drive them out of education. If you get a lot of second-rate people in the key jobs they are not going to hire the outstanding people and we have to protect the good people,

the people we get in education who could help. I don't think we can expect everyone to be excellent, but I don't think we can drive out the excellent as we are doing.

Mr. DENT. Thank you very kindly for your very frank expressions this morning. I am sure we learned a great deal from you. Your personal experience is, of course, important to us.

Thank you for coming. Your testimony will be given very serious consideration.

The hearing stands dismissed until the call of the Chair.

(The following statement was submitted for the record:)

STATEMENT OF THE NATIONAL RETIRED TEACHERS ASSOCIATION AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. Chairman, the National Retired Teachers Association and the American Association of Retired Persons, with a combined membership of over 4.3 million older persons, welcome this opportunity to present to the General Subcommittee on Labor our views on improving the portability of retirement benefit credits among state and local teacher retirement systems.

The single most important problem confronting our older citizens today is the problem of economic security. The rising cost of living and ever earlier retirement have caused a widening gap between employment and retirement income so that today one out of four older persons lives below the poverty level. Yet many of these people were not poor until they become old. Our Associations feel that every American who makes his contribution to the rising standard of living in this country should look forward when he retires to an equitable share of the fruits of that standard. Every possible step should be taken to assure an adequate income, providing at least a moderate standard of living, to all retired persons. Our Associations urge that Congress examine every source which presently or potentially contributes to the achievement of this retirement income level and assure that each is used in the manner which most efficiently and effectively puts dollars in the hands of retirees.

Under present state and local teacher retirement systems, the teacher who moves from one state to another is usually penalized by the loss of earned retirement benefit credits. This loss results ultimately in a reduced and often inadequate level of income during the retirement years. The loss of service credits results from the absence of early vesting provisions in the state system from which the teacher moves and from the absence of provisions under the system in the new state which allow credit for years of service in another state.

Because the resources available for funding teacher retirement benefits are limited, the states tend to utilize available resources to increase retirement benefit levels rather than to liberalize vesting provisions. This tendency is understandable, since it rewards the teacher who serves within a single state's educational system for a substantial part of his teaching career. To the extent that limited resources are used to fund increased obligations resulting from liberalized vesting provisions, the teacher who serves for all or most of his teaching career within a particular state's educational system is deprived of potentially higher retirement benefits.

States are even more reluctant to enact provisions which credit out-of-state service toward benefits under their own teacher retirement systems. Some states have provisions that allow incoming teachers to purchase credit toward their retirement on the basis of previous teaching service rendered elsewhere. However, the cost of purchasing such credit usually places this option beyond the financial reach of most teachers. The states are disinclined to use a significant portion of their resources to provide retirement benefits based on out-of-state service, since such action would be antithetical to the interests of teachers who render lifetime service within their respective jurisdictions.

Another possibility for a completely state-based solution is interstate reciprocity. Such reciprocity arrangements would have to rest on agreements between individual states under authorizing statutes. However, limited experience with this approach tends to indicate that it would be less than satisfactory because it entails difficult legal and actuarial problems and because it requires the transfer of public funds from one state to another or the assumption by one state of heavy liabilities for service rendered in another.

It is apparent that the states, acting on their own, are either unable or disinclined to deal effectively with the reality of teacher mobility and the consequent

loss of service credits that results in reduced retirement benefits. It is further apparent that the individual states lack any broad national concern with eliminating impediments to the movement of experienced teachers, or those with special skills, into areas of the country where they are needed. Because the problem of improving portability of service credits among the state teacher retirement systems is essentially interstate, and because the federal government has an interest, not shared by the individual states, in removing this impediment to teacher mobility, the federal government should take the initiative in providing a solution. Otherwise, many thousands of teachers with long careers of service, divided between two or more states, will approach retirement with deplorably inadequate retirement income, despite lifetimes of service to American education.

Our Associations feel that some form of federal participation is both advisable from the point of view of improving the nationwide quality of education, and necessary, from the point of view of preventing reduced and inadequate retirement income for the mobile teacher. Only questions as to the nature and extent of that federal participation remain. H.R. 10216, the Mobile Teachers Retirement Assistance Act proposes a joint federal-state program which would provide federal financial assistance to encourage early vesting and out-of-state credit provisions within the existing state retirement systems. The role of the federal government under the program proposed by H.R. 10216 is essentially financial and passive. State participation is induced rather than mandated. The proposed program would fully recognize, but not necessarily encourage, teacher mobility and would remove an important financial impediment to the movement of teachers with experience and special skills into areas where they are needed.

NRTA and AARP fully support the objectives of H.R. 10216 and feel that its enactment would solve effectively the problem of reduced retirement benefits caused by teacher mobility. However, similar legislation considered previously in the Congress was not acted upon; its supporters were unable to project and justify adequately its cost to the federal government. Our Associations feel that the problem is too important to be forgotten merely because one proposed measure is thought to be too costly. We urge this Subcommittee to give careful consideration to all possible alternatives which might provide a remedy, so that improved portability of retirement service credits among state teacher retirement systems can be quickly realized in the form of enacted legislation.

There are a number of alternative solutions which the Subcommittee might consider. One possibility would be the creation of a single national retirement system for teachers. Our Associations believe that such a proposal would encounter opposition from the teachers themselves since it would require complete disruption and absorption of existing state systems.

More promising, perhaps, would be the establishment of a central fund administered by the federal government to which the states and the teachers would make contributions. Teachers would accrue "points" or "credits" in the fund, depending on the amount of the contributions made in their names. This would leave the state retirement systems intact and would not affect the level of benefits received by teachers under different retirement systems.

By absorbing the duplicative administrative cost of the individual state teacher retirement systems, the cost savings to the states could be utilized to fund increased obligations resulting from liberalized vesting provisions. Limited federal assistance could further encourage the states to enact more liberal vesting privileges. Finally, such a federally administered fund could be used by the retirement systems of other public employees as well.

CONCLUSION

Our Associations support the enactment of federal legislation that will provide financial assistance to encourage the portability of service credits among state teacher retirement systems. While we fully support the objectives of H.R. 10216 and are convinced that it would, in time, provide an effective solution to the problem of teacher mobility, we feel that the problem is too important to be forgotten merely because one proposal is thought to be unjustifiably costly. We therefore urge this Subcommittee to give careful consideration to all possible alternatives which might provide a remedy, so that improved portability of retirement service credits among state teacher retirement systems can be quickly realized in the form of enacted legislation.

(Whereupon, at 12:24 the hearing adjourned, subject to the call of the Chair.)

O